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Building The AMERICAN FUTURE



PHOTO: GUYON BAKER—THE STOCK MARKET

PHOTO: SHAROLD STUCKER—BLACK STAR

A productive work force, new technologies, increased access to foreign markets, and a new foundation for economic growth are among the goals of the U.S. Chamber's National Business Agenda. Cover Story, Page 18.



PHOTO: BRANTA ENDO—BLACK STAR

Candy Express' Lorrie and Tom Krawczyk can smile through the recession. Franchising, Page 55.

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76 On U.S. Competitiveness

Results of this poll will be provided to leaders of Congress and the Bush administration as they consider action on 1992 legislative issues.

Editor's Note

A Crucial Message For Every American

Our cover stories are usually aimed at showing readers how to meet the major challenges they encounter in their efforts to build a business. This month's cover story sets out a far more ambitious goal, nothing less than "Building The American Future." It is based on the legislative agenda developed by the U.S. Chamber of Commerce in response to the country's need for a comprehensive strategy to guide it in this time of fast change.



PHOTO: GUYTON PELAEZ—THE STOCK MARKET

Education must envision a global economy.

The article, beginning on Page 18, was written by Senior Editor Albert G. Holzinger, who has been reporting on government activities and trends for more than 20 years.

This cover story carries a crucial message for every American concerned about the direction this country is taking. Keep it for reference and discussion as its recommendations become the focus of national policy debate.

You'll also find in this issue a roster of hard-charging small-business people who are shaping their own futures. They are the 1992 state honorees in the Blue Chip Enterprise Initiative, which spotlights companies that have prevailed over threats to their survival. The initiative is sponsored by Connecticut Mutual Life Insurance Co., the U.S. Chamber of Commerce, and this magazine.

The honorees listed are representative of the main purpose of the Blue Chip Enterprise program, which is not competition but the compilation and sharing of survival techniques. Details of the various ways through which you can learn about those techniques appear in the article beginning on Page 42.

And be sure to read the Franchising Special Guide, beginning on Page 55. It's the first of a series we'll be running every quarter on this major area of the economy.

Robert T. Gray
Editor



PHOTO: T. MICHAEL KEZA

A homey atmosphere draws readers to Joyce Meskis' Tattered Cover Book Store. Lessons Of Leadership, Page 38.

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Nation's Business

Letters

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There Are Alternatives To Increasing State Taxes

"Firms Could Face New State Taxes" [January cover-story package] properly and accurately pointed out what companies could expect—except in Massachusetts. Gov. William Weld, supported by a responsive state Legislature facing the same recessionary influences as those in other states—reduced federal revenue sharing and increased demand for services—has bucked the tax-increase trend.

In 1992, Massachusetts adopted a balanced state budget, repealed the sales tax on business and professional services, granted a new credit for research and development expenditures, and maintained its safety net for essential services.

Other states should take a look at the Massachusetts effort before raising taxes. Thomas J. Moccia
Roslindale, Mass.



PHOTO: STEVE FRIEDMAN-BLACK STAR

Gov. William Weld.

bashing of business with excessive taxes and regulations and the bashing of the rich—the only ones capable of providing new jobs—are bound to cause recession. Our politicians are running us headlong into the situation that brought Eastern

Europe down. Let's hope George Bush discovers that fact before November.

Walt Buescher
Pigeon Forge, Tenn.

[Editor's Note: The article's principal theme, developed in detail, was that 1992 will indeed be a grim year unless effective growth policies are adopted promptly. And we have consistently expressed the view that excessive taxes and regulations, along with other hindrances to the capital

formation needed to create jobs, are responsible for the nation's economic plight.]

The State Of The State Of West Virginia

To the unschooled, your article on limiting congressional terms [Cover Story, November 1991] as a means of stopping the abuse of power by long-term congressmen like West Virginia's Robert Byrd makes it appear that Byrd has taken care of his constituents well by "pumping vast amounts of federal dollars and jobs into his home state."

Unfortunately, nothing could be farther from the truth. West Virginia is one of the poorest states in the United States and has remained so during Byrd's long tenure. His 33 years in Congress have netted West Virginia a continued history of poverty, neglect, unemployment, etc.

Rebecca Cogar Whittington
(A Native West Virginian)
Chalfont, Pa.

Let's Try This

If we are to improve the performance of our government, we must send a team to Washington instead of a divided government, and hold them responsible; and control the cost of elections by moving to public financing.

Our elected officials then could move boldly and rapidly against the problems facing the country.

Arnold Hale
Piney Flats, Tenn.

The Democrats' Lock On Congress

Your articles keep bashing President Bush about the economy. Why don't you ever write about the lock the Democrats have on Congress?

This recession is not caused by anything that happened in the last six months. The Democrats have controlled the House of Representatives for 54 of the last 58 years, and the Senate for 48 of the last 58 years. They are the ones who conned the president into a tax increase last year.

Roy G. Bridges
La Puente, Calif.

[Editor's Note: The article noted that a recent poll by the U.S. Chamber of Commerce "found that 83 percent of the business respondents believed Congress was most responsible for the lack of economic growth over the past two years."]

Bringing On A Recession

The doom and gloom lead article headlined "Grim" sounds like it was written by commentators hired by the Democrats to talk the nation into recession before next November.

You need to keep repeating that the

Clarification: The Price Of BusinessVision II

Thank you for including BusinessVision II in your roundup on accounting software ["Not Just For The Numbers," January].

We wish the price had been correct, but, of course, that's not your fault. Some of the folks at the Toronto world headquarters have been giving out the Canadian price rather than the U.S. price of \$225.

Also, for the whole U.S. market, we prefer that people who call us use 1-800-433-3381 rather than the regional numbers listed.

Joy Anthony
Hilary Kaye & Associates
For BusinessVision II
Newport Beach, Calif

Going The Distance For Auto-Insurance Discounts

In "Auto-Insurance Discounts For Young Drivers" [It's Your Money, January], you say the school needs to be "at least 100 miles from home" to qualify the student for a discount. In fact, State Farm and some other companies require that the student be 150 miles away.

The discounts are there, and more people should take advantage of them. Ask your agent for a review; it would be



PHOTO: EDWARD LUSBY—FOCUS INC.

Those high premiums can drop if your child attends school away from home.

an excellent way to get into the discussion of discounts as well as getting the review.
Frank Chiles, Agent
State Farm Insurance
Starkville, Miss.

Educating Workers In Other Ways

Although the article "Boosting Workers' Basic Skills" [January] was quite informative, it overlooked a booming segment of continuing education: employee-owned businesses.

Companies with employee stock-ownership plans (ESOPs) are educating employees, particularly on financial matters, so they can better understand the connection among their individual performance, the company's profitability, and the value of the employee's stock holdings.

A good example of this is Republic Engineered Steels, where last year employees identified and eliminated a host of wasteful practices, thereby saving the company \$50 million.

J. Michael Keeling
President
The ESOP Association
Washington, D.C.

Send letters to Editor, Nation's Business, 1615 H Street, N.W., Washington, D.C. 20062-2000, and include your phone number. Letters addressed to the Editor will be considered for publication unless the writer requests otherwise, and they may be edited and condensed.

Correction: Business Dean

Jack R. Wentworth is the dean of the School of Business at Indiana University. Richard A. Cosier, associate dean for academics, was incorrectly identified as the dean in our article "This Is Not Your Father's MBA," in the February issue.

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Entrepreneur's Notebook

By T. Scott Gross

"Outrageous Service" Keeps Them Laughing

Forty-nine point eight percent! That was our sales increase in 1990; in 1991, it was 18.8 percent. Not bad for a restaurant that had tried carefully to do all the "right things" but had never been able to rank higher than the top of the bottom.

As the former national director of training for the Church's Chicken chain, I knew it all. Or at least I thought so. After all, I had been teaching how to run a restaurant by the book for years. So it was natural for me to think I had a "can't-fail" idea when I left the corporate world in 1985—to become a Church's franchisee.

Wrong!

Fortunately, I was able to use the income I got from public speaking and consulting on management issues to cover the expenses of the restaurant. That work also gave me time to discover a whole new outlook on service and marketing. My staff and I have come to call it Positively Outrageous Service and P.O.S. Marketing. But in the beginning, all we really knew was that following the pack just wasn't working for us.

It was while I was on the road speaking that I began to notice entrepreneurs whom I dubbed contrarian operators. They ran their businesses unconventionally, but the businesses seemed to be

T. Scott Gross, of Center Point, Texas, (1-800-635-7524), is the author of Positively Outrageous Service: New and Easy Ways To Win Customers for Life (MasterMedia) and owns a Church's Chicken franchise in Kerroville.

Readers with special insights on meeting the challenges of starting and running a business are invited to contribute to Entrepreneur's Notebook. Write to: Editor, Nation's Business, 1615 H Street, N.W., Washington, D.C. 20062-2000.

growing and prospering in an economy that surely was headed in the opposite direction. If I could figure out what they were doing, I thought, well, just maybe some of the magic would wear off on my staff and my operation.

I discovered that all of these successful contrarians had learned how to make their customers say WOW! "Wow, I never expected that from an airline!" "Wow, I never expected that from a theater or a soft-drink supplier, or a dry cleaner."

Now I had a plan—to get my customers to say, "Wow! I never expected that from a restaurant!"

My staff and I found that the easiest way to make our customers say "WOW!" was to get them involved with the people who serve them. Later we learned that by moving our marketing closer to the cash register, our participative service became participative marketing. We define Positively Outrageous Service as:

- Random and unexpected;
- Out of proportion

to the circumstance; and

- An invitation to the customer to play. And when you do it just right, you get:
- Extreme customer loyalty; and
- Positive, compelling word of mouth.

A simple example of Positively Outrageous Service is our gourmet cookies. Our franchise agreement won't allow us to sell an unauthorized product, but it doesn't say anything about giving one away. So from time to time we bake wonderful white-chocolate almond cookies and serve them piping hot to our unsuspecting customers.

In the borderline-bizarre category is our now-famous drive-through windshield-washing service. It was my response to a suggestion by my brother Steve, our manager, that we should do "something outrageous." Now, while a

Church's employee wielding a spray bottle attacks their windshields, I handle the microphone and the other half of the fun: "Good afternoon. Thanks for choosing Church's. As soon as that tubby guy gets out from in front of your car, pull up to the window for the best lunch you've had all day. No, on second thought, *when* he gets in front of your car, pull on up!"

If a woman customer jokes that we should clean the car's interior, too, I might say: "Oh, madam, we aren't going to do insides. But if you come through tomorrow, we're going to try our hand at hair styling, and on Saturday, we're going to take a shot at dentistry!"

The result is almost always a customer who is laughing when he or she reaches the pickup window.

Doing the unexpected for our customers has earned us a reputation as a fun place to do business, where you can count on getting treated well.

If Positively Outrageous Service has created positive, compelling word of mouth among current customers, it is P.O.S. Marketing that has brought us new ones by the droves. It revolves around four simple tactics designed to involve the customer: Have fun; create traffic; involve the product; and do something for others.

Here's our vote for Positively Outrageous Service. And cheers to whoever said: "Anyone can give away product. It takes brains to sell it!"



PHOTO: KODAKS DUNLEVY-BLACK STAR

Fast-food franchisee T. Scott Gross serves up "outrageous" service for fun—and profit.

What I Learned

Positively Outrageous Service and P.O.S. Marketing have made our name synonymous with good food, great service, and fun. We don't do deep discounting. We have taken a different route. Quality and fun let us charge a fair price for our product and set us apart from competitors.

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Dateline: Washington

Business news in brief from the nation's capital.

LOANS

SBA Incurs Substantial Losses On Collateral For Loans

The Small Business Administration suffers substantial losses when it liquidates collateral on defaulted loans, the General Accounting Office reports.

In a survey in three SBA regions, the GAO said, the value of collateral at the liquidation of loans was 68 percent less than the estimated market value when the loans were made. The GAO, which monitors government activities on behalf of Congress, noted that the SBA does not independently verify collateral values assigned by loan applicants.

The GAO also said that borrowers might dispose of collateral such as equipment and furnishings during the life of the loan, and income from accounts receivable that had been offered as collateral might be used to defray operating expenses. Depreciation and economic conditions also affect the value of collateral, the GAO noted.

The GAO recommended that the SBA establish procedures for effective valuation and monitoring of collateral and for overseeing liquidations.

ECONOMIC POLICY

Congress Likely To Act On Economy

Sen. Trent Lott, R-Miss., says he expects Congress to pass an economic-growth package this year despite basic differences between Democrats and Republicans on specific elements.

"Will it be what the president asked for? Will it be perfect? No, but I think it will have a lot of good provisions in it," he told business representatives at a meeting held at the U.S. Chamber of Commerce.

Lott said he believes a capital-gains tax cut and changes related to the investment tax credit stand a good chance of being approved. "Believe me, though," he continued, "the Democrats will extract a penalty" for legislation containing these kinds of tax cuts. That penalty, he warned, is likely to be tax increases on upper-income Americans.

Lott said the extent to which the



Sen. Trent Lott: President's involvement is important.

president presses for a growth package will be a key factor in determining congressional action.

The senator suggested that the president take a harder line with Congress by offering cooperation with the caveat that "if that doesn't work, I'll fight you." Congress will respond, Lott said.

INTERNATIONAL TRADE

Market Opportunities In Eastern Europe, Asia

Programs to acquaint U.S. business people with emerging business opportunities in Eastern Europe and in Southeast Asia have been scheduled by experts on those two areas. Hungary, Poland, and the other recently freed markets of Central and Eastern Europe will be the subject of a conference, "American Business Opportunities in the Danube Basin," June 1-2 in Vienna, Austria.

For more information and details on registering, call Michaela Platzer of the U.S. Chamber of Commerce at (202) 463-5480, or fax Elmer T. Balogh, honorary president of the Austrian AmCham, in Vienna, at (43) 222-315151.

Trade and investment opportunities in the ASEAN nations of Brunei, Darussalam, Indonesia, Malaysia, the Philippines, Singapore, and Thailand will be detailed by ambassadors and senior commercial officers representing the United States in those nations. They will tour five U.S. cities March 20-30 to brief business audiences.

For more information or to register for a session in Atlanta, Chicago, Detroit, Houston, or Portland, Ore., call the U.S.-ASEAN Council for Business and Technology, which is sponsoring the tour, at (202) 289-1911.

America Poised To Regain Global Economic Lead

America's liberal immigration policies will help the U.S. re-establish its world economic leadership at the end of the decade, says Norbert Walter, chief economist of the Deutsche Bank Group. As a result of immigration, the U.S. will have enough workers 40 years of age or younger to implement emerging industrial technologies. In contrast, Japan and Europe, whose immigration policies are far more restrictive than those of the U.S., will have an older and less adaptable work force, he says.

For the next five years, however, Europe and Japan will be regions of high economic growth, Walter told a group of business executives meeting at the U.S. Chamber of Commerce.

ENERGY

Private Sector Won't Surrender On ANWR

Business continues to press for the opening of the Arctic National Wildlife Refuge (ANWR) to oil production even though the Senate recently dropped such a provision from its bill.

Environmental opposition to exploration and production in the site on the Alaska coastal plain has been one of the key factors that has delayed the movement of energy legislation in Congress.

The Interior Department estimates that the refuge could contain up to 9.2 billion barrels of oil.

In urging Congress to retain provisions for ANWR production in its final energy bill, the U.S. Chamber of Commerce said that "environmentally responsible development of the coastal plain is sound energy policy as well as sound economic policy." The business organization noted that ANWR development could revitalize the domestic energy industry, which would, in turn, "make a significant contribution to economic growth and help boost the U.S. economy out of recession."

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Managing Your Small Business

A way to reduce check fraud; how to write effective letters to customers; new rules on employing minors.

By Bradford McKee

RETAILING

Check Fraud: How Protected Are You?

Bad checks abound in a bad economy, and check-fraud experts say small firms should be especially careful now.

Denver Spoke, a bicycle shop in Colorado, credits its electronic check-approval service with keeping the firm from having a high level of fraud.

About half of the purchases at Denver Spoke are paid for by check, says Pat Clark, part-owner of the store, and the checks are approved with a system that, like most, works at the cash register. "We have a fairly seasonal business, and not a lot of time to chase down bad checks," Clark says.

Electronic check approval takes about a minute, says Joe Cabrelli, operations chief for JBS Associates, a check-protection firm in Ringwood, N.J. The fee a company pays to use the service depends on the firm's size and its volume of checks; it usually is 1 to 2 percent of the value of checks cleared, says Cabrelli.

Telecredit, a check-protection company in Los Angeles, charges most small firms 1 to 1.5 percent of cleared checks' value.

To shop around for a check-protection company, look in the Yellow Pages, under "Check Cashing Protection Systems."

If you accept checks at your own risk,



PHOTO: JAMES COOK

Electronic check approval works, says Pat Clark of Denver Spoke.

experts say, you can protect yourself by adopting these procedures:

Accept only checks that have a pre-printed name matching the name of the signature. Ask the customer to provide two forms of identification, making certain that the signatures match that on the check. Make sure the check is written for the exact sale amount unless a higher amount is approved by a manager. Accept only those checks that are made out directly to the store (no three-party checks) and are in U.S. currency.

hose to you on Monday. It should arrive at your home by Friday."

■ If you have bad news, sandwich it between two bits of good news. Offer a choice if possible: "We'll send you a replacement hose as soon as possible. That part is currently out of stock, but we'll have it here in two weeks. Would you like it shipped, or would you prefer to pick it up?"

■ Whenever possible, give something extra: "Because you've been through so much trouble, please accept this set of vacuum cleaner bags with our compliments."

■ Reiterate that you value the customer and want to help whenever there's a problem: "Again, Mr./Ms. Jones, we thank you for bringing this problem to our attention. We want you to be delighted with your new vacuum cleaner."

"Be sure to call us at 1-800-555-2368 if there's anything more that we can do to help."

HUMAN RESOURCES

Prepare Successors Before Promoting Them

Managers and business owners who eye their firms' technical geniuses as candidates for managerial positions should take steps to groom such individuals before promoting them, says one human-resource expert.

The whiz at the drawing table may have other, less-obvious characteristics, such as obsession with details or a freezing aloofness, which may make that person ineffective as a manager.

Unless you groom such an employee properly, the outcome could be disastrous, says Howard Pines, a human-resource consultant who owns his own firm in New York.

Suppose, for example, you have a draftsman who is "tough on himself." That person may not realize that he or she is very tough on others as well. People such as this never meet their own standards, Pines says; nor do others. Would this person make a good leader of an otherwise talented, top-notch bunch? Not unless that person is made aware of his or her own nearsightedness.

As part of the grooming, Pines suggests, managers should make sure the candidate for promotion:

- Understands the firm's goals and its strategy for meeting its goals;
- Has the skills critical to carrying out the strategy; and
- Keeps those skills up to par even when the business is in difficult times.

WORKPLACE

National Fitness Day To Be Observed In May

May 13 has been designated National Employee Health and Fitness Day by the National Association of Governor's Councils on Physical Fitness and Sports.

The organization encourages firms to initiate affordable fitness programs, such as fitness tracks outside company buildings, aerobics instruction for employees during lunch breaks or after work, and healthful-cooking contests among employees.

For more suggestions or information, call the National Association of Governor's Councils on Physical Fitness and Sports, in Indianapolis, at (317) 237-5630.

COMMUNICATION

Tips For Writing Letters To Customers

Entrepreneurs who want to write effective customer-service letters may borrow ideas from Evergreen Advertising and Marketing Inc., in Middlebury, Vt. In a recent issue of the firm's newsletter, Robert Kesner, president, and his staff offered these tips:

■ Let customers know you're eager to solve their problem: "We're glad you took the time to write to us about the problem you're having. It means a lot to us to have the opportunity to serve you."

■ Restate the problem, and show empathy: "As we understand it, you're having trouble with the hose on your XYZ vacuum cleaner. As much as you've tried, the hose won't attach to the machine. We're sure that's been frustrating for you!"

■ Tell what you can do, rather than what you can't do: "We can ship a new



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MARKETING

Satisfying Customers' Appetite For Knowledge

Consumer education can be a worthwhile investment, as Trillium Health Products, in Seattle, has found. Trillium is capturing and keeping customers' attention with "intensive" consumer education, says co-principal Bob Lamson.

Consumers are interested in better nutrition, and the information they seek is "pretty diffuse," he says. "We try to package it in a way that is easily interpretable" and tie it in to the company's products.

Trillium manufactures a juice machine, which it sells to retail stores and, via seminars, to consumers. The company's nutrition seminars are the keystone of its marketing strategy. The 130-employee firm keeps four nutritional specialists on retainer to serve as seminar speakers.

Part-time and temporary employees manage administrative details at each seminar, which can accommodate from 300 to 1,000 people.

The company, which has grown to \$30 million in sales in 1991 from \$1 million in 1989, also publishes a monthly newsletter on nutrition and health, and it sells books, audio tapes, and videotapes.

Although many of Trillium's competitors position themselves in the small-home-appliance business, Lamson says, Trillium sees itself as selling a way of life. "People are focusing on quality of life as opposed to standard of living," he says.

Lamson says his firm's customers are pragmatic consumers who buy products not because of any hard sell but because of



PHOTO: GREG WILSON—BLACK STAR
No hard sell: Trillium Health Products' co-owners Bob Lamson, center, and brothers Steve and Rick Cesari.

tangible benefit. With the juice machine, the buyer also receives recipes and information on not only how to use it but also when and why to use it.

Lamson offers this advice to firms that want to reach today's consumers: "Try to educate people why the product you're offering affects the quality of their lives. If you can show that, how it works, then the sale is automatic. You don't have to hard-sell at all."

REGULATION

Tax Relief For Compliance With The Disabilities Law

Firms complying with the new Americans with Disabilities Act, which took effect for public accommodations Jan. 26 and begins covering employment July 26, may benefit from tax relief intended to lessen the burden of the law.

Small firms with gross receipts of \$1 million or less in the preceding year or 30 or fewer full-time employees may be eligible for a new tax credit of up to \$5,000.

The tax credit will partly offset the costs of removing architectural, communication, or transportation barriers; providing qualified interpreters or readers for people with sensory impairments; and providing, acquiring, or modifying equipment for people with disabilities.

Fixtures or aids claimed for the tax credit must meet minimum access standards. (See "What You Must Do For The Disabled," *Nation's Business*, December 1991.) Some restrictions apply for modifications to new facilities.

The credit covers 50 percent of the allowed expense and is capped at \$5,000,

and a small firm must spend at least \$250 on access modifications to use it. The provision is in section 44 of the Internal Revenue Code.

For more information, call the Americans with Disabilities Act information line at (202) 514-0301 (voice), or (202) 514-0381 or (202) 514-0383 (telecommunication device for the deaf).

Tighter Job Rules For Minors

In late 1991, the U.S. Department of Labor issued restrictions on three jobs by adding them to the list of hazardous occupations. The new rules took effect Dec. 20.

The regulations restrict driving of vehicles heavier than three tons, particularly school buses, by anyone under age 18, allowing only "incidental and occasional" exceptions.

The other two rules apply to power machinery. One rule states that fast-food and retail food stores may not allow minors to use power meat-processing equipment. The other regulation says employers may not let minors operate

CHARITABLE CONTRIBUTIONS

Books That Offer Guidelines For Giving

The Council on Foundations says that small companies sometimes donate "haphazardly," and so they gain little recognition for their donations. Yet a new study for the U.S. Small Business Administration, by two Oregon State University researchers, shows that small businesses contribute more per employee to community-service organizations than larger companies.

Two new publications from the Council on Foundations can be useful for small firms that donate less than \$500,000 a year in corporate-giving programs.

Developing Small Corporate Giving Programs, by Lisa Berger, gives practical information on how to form the most effective program. Included are guidelines that a firm can use in deciding whether to give to an organization, plus a sample mission statement for a firm's contributions program.

Effective Roles for Small Corporate Giving Programs, by Paul Yivisaker, provides 20 strategies for enhancing your company's program to "do more with less." The author suggests, for example, that a firm can help nonprofit organizations not just with contributions but also by lending office space and employees' time and expertise for specific projects.

The publications cost \$12 each. To order, send a check to the Council on Foundations, Publications Department, 1828 L Street, N.W., Washington, D.C. 20036, or call (202) 466-6512, extension 427.

power-driven paper-processing machinery.

For more information on these new labor laws, call the Wage and Hour Division of the U.S. Labor Department at (202) 523-8412.

New Deadline For Insuring Underground Tanks

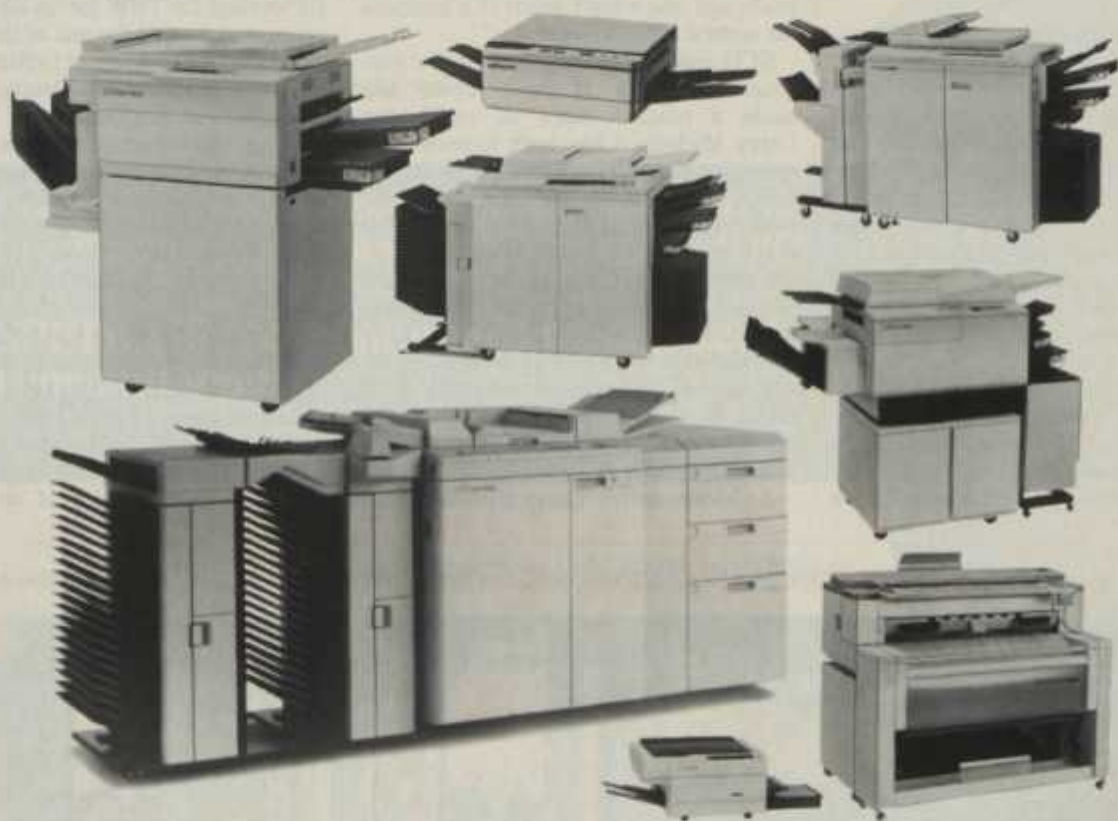
The U.S. Environmental Protection Agency is giving owners or operators of firms with the fewest underground storage tanks an extension—until Dec. 31, 1993—to obtain insurance for their tanks. The deadline originally was Oct. 26, 1991.

The extension applies to firms with 12 or fewer tanks at more than one facility, companies with fewer than 100 tanks at a single site, and firms not marketing petroleum whose net worth is less than \$20 million (such as firms fueling vehicle fleets). By the deadline, these firms must show they can afford to pay for cleanup of potential leaks from those tanks or have insurance to cover such costs.

For more information, call the EPA's small-business ombudsman at 1-800-368-5888.

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Making It

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How A California Software Firm Is Trying To Open Up The Personal Computer's Future

By Michael Barrier

Doug Michels is executive vice president of the Santa Cruz Operation, a California computer-software company. His work takes him all over the world, and, he says, "I spend a lot of time sitting on airplanes." For him, planes have become the adult equivalent of study hall in school—a place where you're forced to sit still and be quiet. "I always bring tons of work," he says, "and I mostly don't do any of it." Instead, "I sit around and think a lot."

As SCO's strategist, Michels, 38, has had lots to think about recently. SCO is one of the computer industry's glowing success stories, a company whose sales even in the recession year of 1991 grew by 30 percent, to \$135 million. Not bad for a

company that barely existed a dozen years ago and wasn't much of a business for several years after that.

SCO makes operating systems for personal computers. If the company has made a mistake, says its co-founder, Larry Michels, it has been to underestimate the potential scope of what it was doing. "We mouthed the right words," he says, "but we didn't get up on the soapboxes like we should have."

Larry Michels, 61, is Doug Michels' father—but SCO is not a family business in the usual sense. Doug worked for Larry on weekends when he was in high school, and he was determined never to do it again. When the Michelses did go into business together, it was as partners who just happened to be related.

A Chicago native, Larry Michels moved

to Southern California in 1952 to work in the defense industry, soon after graduating as an electrical engineer from the University of Illinois. He eventually started his own credit-card-verification company, which he sold to TRW in 1969. He worked for TRW for an additional 10 years, and toward the end of that time he moved from Los Angeles to Santa Cruz, a laid-back beach town a couple of hours' drive south of San Francisco.

Doug, the oldest of Larry's four children, was then living in Santa Cruz, where he had gone to study computer science at the University of California's local campus. Larry "used to come up and visit," Doug recalls, "and fell in love with the area."

Doug had started a computer consulting business while he was in college. "By the time I graduated," he says, "I already had three people working for me." When Larry left TRW, he became a management consultant and sometimes called on Doug for help. "A lot of times these

The Santa Cruz Operation's founders, Larry, left, and Doug Michels, stroll on the balcony of the company's headquarters building.

PHOTO: ROBERT HOLMSTED



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MAKING IT

consulting projects involved technical evaluations," Doug says. "He would look at the strategy from the management and organizational point of view and call me in to evaluate the technology." Eventually, "it made sense to combine the overhead, so we gradually did that."

SCO has grown fast by riding trends in the computer industry that many other companies have been slow to spot—in particular, the growing sentiment for "open systems."

Audio components provide a ready analogy for what "open systems" in computers could be like. Many different manufacturers make amplifiers, compact-disk players, tape decks, and loudspeakers, each product supposedly with its own unique virtues. There is, however, a basic level of compatibility: Products made by, say, Sony, Bose, and Panasonic can be hooked together without difficulty. And you don't have to buy a Sony machine if you want to play a Sony CD; any CD player will do.

Computers are different—but not as different as they used to be. A little over a decade ago, before the IBM personal computer appeared, closed systems were the rule: Computers, operating systems, "peripherals" (accessories such as printers), and even the "applications software" (word-processing programs, spreadsheets, and such) that ran on them typically had to come from the same company.

IBM changed all that by introducing a PC assembled from standard, off-the-shelf technology. It wasn't possible—legally, anyway—to clone an Apple computer, but it was certainly possible to clone the IBM PC, and lots of manufacturers did. The marketplace filled up with computers, peripherals, and applications software that were "IBM-compatible."

The PCs and the software all depended, though, on MS-DOS, the operating system devised by Microsoft Corp. (Operating systems are, essentially, software that serves as a go-between for the computer and the applications software.) The original IBM PC was, as Doug Michels says, so puny that it could accommodate only "a very simple, very limited operating system," and MS-DOS filled the bill.

There did exist what was, by general agreement, a better operating system—called Unix—but it had been designed (by AT&T) for use on minicomputers, and it was simply too muscular and complicated for PCs. Within a few years, though, IBM and other manufacturers were making far more powerful PCs, which were able to perform tasks (for instance, run several

applications simultaneously) that had been beyond earlier PCs' reach. That opened the way for Unix, and SCO.

Under a license from AT&T, SCO makes a Unix-based operating system for PCs that has won wider acceptance than any other Unix-based system. In its most advanced form, called Open Desktop, SCO's operating system is the very model of an open system; it has been designed for use with a tremendous variety of hardware and software, including MS-DOS itself (it offers, according to the industry journal *Datamation*, "seamless compatibility" with that alternative operating system).



PHOTO: T. MICHAEL KEENE

Consultant Jim Bracher, a specialist in communication, was called in when internal friction threatened SCO's success.

Many computer companies still cling to closed systems, as witness the current effort by IBM and Apple to come up with a new operating system that will be theirs alone. But the likeliest future is one in which most PCs will be both very powerful and very much alike and linked in networks that permit them to perform functions once restricted to minicomputers and even mainframes. That is the sort of future in which a Unix-based open system—SCO's in particular—should thrive.

SCO offered its first real Unix-based products in the mid-1980s. The company quickly ran into serious cash-flow problems, because, as Doug says, "we never capitalized the company." When the expenses associated with building a product line started growing—and sales didn't—SCO had a narrow escape. (SCO later acquired financial breathing room by taking on outside investors—including Microsoft, which in effect bet on a rival horse by buying 20 percent of SCO. But the Michelses and their employees still own more than 50 percent of the privately held company.)

During SCO's worst days, Doug says, the father-son relationship made a positive difference, because neither he nor

Larry had to "wonder if the other guy is worried about himself or he's worried about the company." But as SCO emerged from its troubles and started to take off—and, especially, as it added hundreds of employees—the father-son relationship began to create curious problems.

As Larry says, "people like to know where management stands." But, he adds, the Michelses tend not to "come down from the mountain with the tablets and hand them out." Instead, "we both welcome people to come and ask our opinions. They can go ask Doug his opinion, then they'll come ask me my opinion, and there's no reason why they'll get the same answer."

By 1990, Doug says, "we realized that there were issues—that Larry wasn't telling people the same thing that I was telling them, at least not in words that sounded the same." Moreover, Doug indicates, disagreements between them, and with employees, sometimes were noisy.

That fall, the Michelses called for help from James F. Bracher, whose Monterey, Calif., firm, Dimension Five Consultants, specializes in working with CEOs and other top executives.

Bracher assembled the Michelses and their top managers for a three-day meeting, where he tried to re-create the kind of communication that

went on all the time in the company—but with Bracher intervening to point out lapses from what he calls "honest and ethical communication."

Doug Michels says, "The group began to understand that certain behaviors were destructive—how to identify them, what to call them, to the point where we could stop each other and say, 'Wait a minute, you're doing one of those things.'"

Besides smoothing out communication within the company, which has more than 1,000 employees, the Michelses must also reconcile the need for professional management with what Larry calls "creative derring-do." The success of our company really depends on our being able to meld those together." As part of that effort, Larry Michels is thinking about who will succeed him as chairman, president, and CEO. He says that "Doug is not the future general manager of the company. That's not his thing." Doug's role, Larry says, instead must be "to always remain the visionary for the company."

Other computer firms have tried—and failed—to combine entrepreneurial vision with the management expertise that size requires. If SCO beats the odds and keeps its "creative derring-do," its influence on future PCs could be profound.

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MAKING IT

A Florida Businessman's Sunscreens Turn Out To Be As Golden As His Suntan

By Rosalind Resnick

When Robert Bell was 13, he came up with an unusual way to earn extra money. While the other kids were setting up lemonade stands in Bell's native Miami, he hustled over to nearby Miami Beach, shimmied up palm trees to gather coconuts, then mixed a home brew of baby oil, oranges, and bananas to peddle to the tourists as suntan lotion. The price: 50 cents to \$1 a serving, including the coconut shell he mixed it in. Bell made about a dozen sales on a typical weekend day.

"I can't say that I knew what I was doing," Bell recalls, but the idea of selling a suntan lotion in the early 1970s "really intrigued me. Back then, of course, people didn't want a sunscreen, they wanted a tan."

Today, Bell's part-time job has turned into a company that markets 54 tanning and sun-protection products worldwide under the Banana Boat brand. Rather than mix his own concoctions, Bell employs six chemists, who devise products that must meet standards set by the U.S. Food and Drug Administration.

In 1990, Bell's company, Sun Pharmaceuticals, Ltd., of Pompano Beach, Fla., accounted for \$65 million in retail sales—more than 12 percent of a roughly \$500 million market. Sun itself grossed more than \$17 million that year.

Bob Bell, now 34, expects 1991 retail sales to be close to \$80 million, and he forecasts that the company's growth will continue at a rapid clip throughout the 1990s.

Among the secrets of Bell's success: a dedication to customer service. "Because this is our business," he explains, "because this is the only thing we do, we'll take that extra step, go that extra yard, and make that special display unit that our customers want."

If Bell tends to pepper discussions of corporate strategy with the lingo of competitive sports, there's a reason. He played varsity football in high school and college, usually as the team's quarterback, and even today he spends much of his time water-skiing, surfing, lifting weights, and playing flag football.

Rosalind Resnick is a free-lance writer in Hollywood, Fla.

Bell switched schools several times before finally earning a degree in business administration from Florida International University, in Miami; he readily admits that he wasn't much of a student.

After graduating in 1980, Bell went to work full time at what was then called Sun Labs International, a little suntan-lotion company he had started with a friend while he was still in school.

The company sold tanning oil, lotion, and moisturizer to local shops that catered to scuba divers and surfers. Bell's job was marketing and distribution; his partner was supposed to take care of the manufacturing. But Bell says he soon found himself wearing all the management hats, and he bought out his partner in 1981.

"Back in the early days, I did everything," Bell recalls. "I used to make the product, ship the product, do the accounting, the selling, and the promoting—the whole ball of wax."

Though Bell says his company was profitable almost from the outset, Sun Pharmaceuticals didn't really take off

until the mid-1980s. That's when Bell, himself a former lifeguard, spotted the emerging trend toward sun protection and away from dark tans that can damage the skin and lead to cancer.

The company's first big hit was its pure aloe vera gel, which attracted the interest of national retail chains. The fleshy leaves of aloe vera, a tropical plant, contain a moisturizing juice used for treating burns; Sun's gel helped soothe the skin after a bout with the sun. "Retailers are always looking for something different," Bell says. "This was the real thing, and there was no competition."

Bell had introduced his first high-protection sunscreen in 1981, but sales began to take off in the mid-1980s, thanks in part, he says, to news-media coverage of a skin cancer found on President Ronald Reagan's nose.

In 1986, Sun took the Banana Boat brand national—it had previously been sold only in Florida and along the East and West Coasts—trumpeting its skin-care products as "high quality, pure and natural."

Bell continues to innovate—another secret of his company's rise. This year, Sun plans to unveil Ultra 30 Plus, a new sunscreen that the company says is waterproof, works all day, and blocks virtually all harmful rays.

Sun Pharmaceuticals today is a far cry from the one-man show of the early '80s. Bell now has 200 employees. He remains Sun's largest shareholder, but a Miami investment group called Trivest Inc. took an equity stake in the company two years ago in return for a hefty cash infusion.

Bell now enjoys the luxury of sitting back and "steering the ship," as he puts it, while the rest of his crew "runs the show."

Bell, who sports a deep tan in spite of the sunscreen he uses on his face and body, recently returned from a trip to Hawaii. While there, he watched the filming of "Honeymoon In Vegas," a new movie featuring James Caan and—you guessed it—Banana Boat sunscreen.

Still single, Bell zips around in a silver Porsche and lives in a 10,000-square-foot house in Boca Raton.

Yet some things have stayed the same for Bell. He still likes going to the beach to do market research, for example. "Sometimes, the girls think I'm looking at them," he says with a mischievous smile. "Actually, I'm looking at what kind of sun block they're using."



PHOTO: OREN TOUCHTON

Bob Bell makes sun products (sold in smaller tubes than this one) and says he'll "go that extra yard" to please customers.



Building The AMERICAN



FUTURE



The National Business Agenda offers a comprehensive strategy for keeping America competitive.

By Albert G. Holzinger

The world of the decades following World War II was a highly dangerous place, but it did have a recognizable symmetry. It was divided into Eastern and Western blocs, each headed by a superpower with responsibility for the military security of the member nations of its group.

The United States' role as leader of the Free World was defined largely by its ability to arm itself and its allies and provide the strategic and technological infrastructure that kept the Soviet Union in check for 45 years.

But the Cold War ended with a stunning abruptness that not only eliminated the threat of aggression by the Soviet Union but also saw the dissolution of the Soviet Union itself.

Those same events propelled the U.S. into a post-Cold War world in which its

security and long-term living standard will depend much more on the vibrancy of its economy and its international competitiveness than on military might.

That massive change comes at a time when the U.S. economy is no longer on its traditional growth path, and threats to the nation's competitiveness are becoming increasingly severe.

The economy continues to flounder in or near recession. Unemployment is high. So is the rate of business failures.

And these distressing economic conditions are grounded in such deep-seated problems as staggering budget and trade deficits, declining productivity in many areas, and a deteriorating infrastructure.

Some observers have concluded that the problems facing the U.S. are so intractable that, by the dawn of the 21st century, America might find itself in

second place, with Japan on top, in world economic rankings.

On the other hand, there are encouraging signs that, with the leadership of American business, the nation has begun engaging the economic challenges it faces.

In the forefront of the business initiative are the 185,000 member organizations of the U.S. Chamber of Commerce: companies of all types and sizes, trade and professional associations, and state and local chambers of commerce.

In meetings last fall in six cities nationwide, Chamber members, representing every facet of America's manufacturing and services economies, began the process of setting a positive, results-oriented legislative and regulatory agenda for solving the nation's short- and long-term economic problems.

Recommendations from the meetings'

COVER STORY

delegates were refined at subsequent sessions of the Chamber's policy committees and its board of directors and through surveys of members at large.

Says C.J. Silas, chairman of the executive committee of the U.S. Chamber, who presided over the organization's first annual grass-roots outreach program as the 1991-92 chairman of the Chamber's board: "The basic conclusion I gathered [from the process] is that... the citizens of the U.S., including business people, are angry and frustrated about what's going on in Washington."

Silas, who also is chairman and chief executive officer of Phillips Petroleum Co., of Bartlesville, Okla., adds: "There is a pervasive feeling that the folks inside the Capital Beltway, of both political parties, don't know what's happening in the real world and are not doing anything sensible to solve our problems."

The Chamber is calling its 1992 National Business Agenda of solutions

"Building The American Future." This coordinated set of proactive recommendations—comprehensive in scope but limited to a manageable number of legislative priority issues—is divided into seven critical categories requiring fast action:

- Laying A New Foundation For Economic Growth
- Human Dimension Of Enterprise
- Launching Future Technologies
- Rebuilding America's Infrastructure
- Environment And Natural Resources
- Succeeding In International Markets
- Making Government Responsive

The Chamber federation already has begun the tough work of gaining acceptance of these measures by policy-makers, including those who traditionally have been hostile or indifferent to U.S. business needs.

The agenda, detailed below and on the following pages, was delivered to Presi-

dent Bush in connection with the first National Business Action Rally, on Feb. 24, in Constitution Hall in Washington, D.C. Following the event, local and state chamber representatives who had participated in the rally presented the agenda to their representatives and senators.

As part of its campaign to win approval of the agenda, the Chamber has launched a massive get-out-the-vote drive to ensure that the next Congress is more receptive to business's initiative.

"Americans are at their finest in the face of crisis, and with the leadership of the business community, the U.S. can overcome the daunting challenges it now faces," says U.S. Chamber President Richard L. Leshner. "I am confident that the course the Chamber federation has proposed can halt the slow erosion of our national power and wealth and put our economy back on a firm foundation."

To express your views on competitiveness, see Where I Stand, on Page 76.

Laying A New Foundation For ECONOMIC GROWTH



DESIGN: ANGELA PIERO
PHOTO: SPRENCH-HAR—STOCK BOOTH

A new foundation for economic growth requires a formula for reviving and sustaining the economy and maintaining consistent growth. The elements in that formula must include tax changes, regulatory relief, spending restraint, and steps to bolster the U.S. financial system.

Under current policies, the U.S. economy will grow more slowly during the 1990s than in any decade since the Great Depression. Growth will not exceed 2.6 percent annually until sometime next century. That's the downbeat consensus of the 52 private economists surveyed by

Blue Chip Economic Indicators, a newsletter published in Sedona, Ariz.

By and large, the views of U.S. business people are in line with the projections of those economists. The December "Business Ballot" poll by the U.S. Chamber of Commerce pegged business confidence at an anemic 36.2 percent, down from 61.2 percent in June 1991.

About 83 percent of respondents to the preceding Business Ballot poll indicated they believe congressional policy mistakes are to blame for the 1990-91 recession and the slow-growth forecast for 1992-99 and beyond.

The 1986 Tax Reform Act is a promi-

nent example of lawmakers' good intentions producing bad policy. In this instance, what began as a positive effort to simplify the tax code produced a more muddled code and, worse still, raised the cost of capital and stifled economic growth. It deterred growth by, among other things, raising business taxes \$120 billion over five years, placing heavy tax burdens that undercut the real-estate market, eliminating the investment tax credit, tightening the individual and corporate alternative minimum tax, and raising the top capital-gains tax rate to 33 percent for individuals and 34 percent for corporations. (The top capital-gains rate was reduced to 28 percent for long-term gains in the 1990 act, which still left it well above the maximum 20 percent that existed before the 1986 law was enacted.)

The 1992 National Business Agenda calls on Congress to rectify these and other errors by enacting legislation that would increase economic growth by 1.5 percent in each of the next five years by providing tax relief to families, employees, savers, employers, and investors; by placing a moratorium on new government regulations; and by freezing overall federal spending while cutting some wasteful "pork-barrel" programs.

Specific agenda items include:

- Reducing by one percentage point the 7.65 percent Social Security payroll tax paid by employees and employers.

- Extending permanently several expiring tax provisions, including the research and experimentation tax credit

and allocation rules, the educational-assistance tax exclusion, and the 25 percent deduction for health insurance for the self-employed.

■ Reducing the top capital-gains tax rate to 15 percent for individuals and corporations and indexing the new rate to inflation.

■ Reforming the capital-cost-recovery system to provide for full recovery of capital-investment expenditures.

■ Allowing penalty-free Individual Retirement Account withdrawals for first-time home purchases and educational and catastrophic medical expenses.

■ Providing passive-loss relief for active real-estate participants.

■ Repealing or reforming the individ-

ual and corporate alternative minimum taxes.

■ Opposing attempts to increase individual or business tax rates or broaden the tax base.

■ Imposing a moratorium on new regulatory activity until the economy has recovered, and creating a new process for evaluating future regulations.

■ Further improving the nation's infrastructure.

■ Freezing overall discretionary spending.

■ Establishing a commission to recommend how best to limit the growth of entitlement laws.

According to U.S. Chamber economic analyses, enactment of these far-reaching

fiscal measures would reduce the federal deficit by more than \$250 billion over five years, thus commensurately reducing the need for tax increases. Enactment also would create more than 1 million jobs, reduce the costs of capital and labor, and boost the U.S. savings rate. This, in turn, would increase business profitability and enhance America's competitive position in the world economy.

Business's economic-growth agenda also calls on Congress to revise the deposit-insurance system to promote stability, soundness, and efficiency within the banking community, remove taxpayers from future liability for failures of depository institutions, and help alleviate the current credit crunch.

Human Dimension Of ENTERPRISE



DESIGN: ANGELA REED (PHOTOS FROM LEFT: SHNELSON—STOCK SOUTH, ORLANDER—THE STOCK MARKET, USAL/UTTER—THE STOCK MARKET)



Enhancing the human dimension of enterprise requires effective policies for developing and maintaining a world-class work force, improving access to affordable health care, and ensuring workplace safety.

Education

U.S. students lack the mathematics, science, and other learning skills needed for success in today's workplace.

Two years ago, the U.S. Chamber created the Center for Workforce Preparation and Quality Education to mobilize state and local chambers of commerce and member businesses nationwide in support of sweeping education reforms.

The center also supports President Bush's efforts to implement the "America 2000" program, whose goals include increasing the U.S. high-school graduation rate to at least 90 percent and ensuring that all U.S. adults are literate and can compete in the global economy by 2000.

Health Care

Employer health-care costs have escalated at more than twice the general inflation rate in recent years. Another measure of health-cost trends: In 1980, America devoted 9.1 percent of its gross national product to health care; last year, the figure was 12.1 percent, and it is projected above 15 percent by 2000.

Skyrocketing costs are posing heavy burdens for businesses, especially small firms. Thus, the 1992 National Business Agenda calls on Congress to enact legislation that would provide key reforms—including increased use of managed care in the private sector and in Medicare and

Medicaid—and would pre-empt state laws that impede cost-containment programs. These state laws include mandates specifying services and procedures that employers must include in insurance coverage. The agenda also calls for:

■ Reform of insurance rating and underwriting practices that curb small businesses' ability to cover workers.

■ Extension and expansion to 100 percent of the current 25 percent deduction for health-benefit costs to the self-insured.

■ Accelerated development and use of national medical-practice guidelines.

■ Promotion of a computer-based sys-

COVER STORY

tem for maintaining information on patients.

Occupational Safety And Health

There is a growing perception that although the U.S. Occupational Safety and Health Administration (OSHA) has been setting and enforcing standards for workplace health and safety, America's workplaces can be made safer and healthier. Employers and employees alike support improvements in workplace safety and health, but some recent efforts to achieve such gains have been dubious or outright inappropriate. For example, a budget-related bill enacted by Congress in 1990 increased OSHA fines sevenfold, and many business people suspect the measure was aimed more at raising revenue than deterring OSHA violations.

The National Business Agenda calls for constructive changes to OSHA but opposes changes that would impose needless or unbearable burdens on employers.

Striker Replacement

Pending legislation would end the right of employers who bargain in good faith to permanently replace workers who strike over economic issues such as wages and hours. The National Business Agenda calls for continued, all-out employer opposition to this legislation to prevent the crippling or destruction of many companies and to thwart organized labor's attempt to gain a powerful tool for making inroads into small and mid-sized firms.

Workplace Drug Policies

Dramatic savings can result from institut-

ing a drug-free-workplace policy that includes testing and an employee-assistance program, says the president's Drug Advisory Council. Employers now pay the price of employee drug abuse through increased absenteeism, lower productivity, increased injury rates, higher costs for health care and workers' compensation, and theft of company property.

The National Business Agenda calls for creation of a Center for Workforce Drug Policies to mount an effort to help small and mid-sized firms gain substantial savings through developing and instituting effective, affordable substance-abuse programs. The agenda also envisions that the new organization would help small companies form consortiums, which would lower their costs of obtaining employee-assistance and drug-testing services.

Launching Future TECHNOLOGIES



DESIGN: ANGELA REED/PHOTOS: SPOTEN—THE STOCK MARKET SWIRLER—THE STOCK MARKET (INSET)

A new business-government partnership is needed to encourage development of new technologies and production processes. Also required are expanded opportunities for joint manufacturing ventures.

Business-Government Cooperation

There are many indications that the United States is falling behind its global competitors in generating new products and production processes. For example, the U.S. trade surplus for high-technol-

ogy products was \$27 billion in 1980, but now it is minimal. A look to the future is even more alarming: In 1970, about three-fourths of U.S. patents were issued to Americans; in 1990, almost half of U.S. patents went to foreign inventors.

The U.S. Chamber believes that some of this decline is attributable to the fact that the American business community's relationship with government is more adversarial than the relationships between business and government in other major industrial nations. The 1992 Na-

tional Business Agenda, therefore, calls for greater "lab-to-market" cooperation among the United States' business, government, and academic communities.

This cooperation could come under the aegis of a new civilian counterpart to the Defense Advanced Projects Agency of the Department of Defense, which has been highly successful in fostering U.S. innovations in computer science and technology.

The agenda also calls for streamlining U.S. antitrust laws when it would help encourage joint research and experimentation in costly technologies; liberalizing research and experimentation tax incentives; and strengthening intellectual-property protections worldwide.

Production Joint Ventures

U.S. antitrust laws are the major factors in discouraging American firms, especially small and mid-sized businesses, from pooling their resources and expertise and sharing the risks in high-technology manufacturing ventures. Manufacturing consortiums in other industrialized nations do not run the risk of antitrust violations resulting in triple-damage awards, and the consortiums often are supported by their governments.

During the 1980s, Congress enacted legislation that reduced U.S. firms' risk of violating antitrust laws while engaging in above-board collective research and experimentation activities. The National Business Agenda calls on Congress to provide similar treatment under antitrust laws to joint manufacturing ventures, in order to create outlets for the creativity and innovation now pent up in thousands of small and mid-sized U.S. companies.



Rebuilding America's INFRASTRUCTURE



DESIGN: ANGELA REED / PHOTOS (CLOCKWISE)
FROM TOP LEFT: ©GATOR—THE STOCK MARKET
©SCREENBON—THE STOCK MARKET ©ROBERTS
THE STOCK MARKET ©DAHLGREN—THE STOCK
MARKET ©MICHAEL KEEA

Implementation of last year's law to improve surface transportation must be closely monitored, and any legislative or administrative deficiencies in the statute must be corrected. A progressive transportation policy must be established. And an advanced telecommunications network must be developed to improve the delivery of education, health-care, and business-information services.

Transportation

America's transportation infrastructure, one of the key elements fueling America's industrial dominance this century, has fallen into such disrepair that it is now hurting the competitiveness of U.S. industry. For example, the American Association of State Highway and Transportation Officials estimates that truck delays resulting from overburdened highways and bridges add \$7.6 billion a year to the cost of American-made goods.

The airport/airway industry estimates that it must raise \$180 billion over the next decade to meet government mandates on aircraft purchases and airport infrastructure improvements.

In response, Congress last year enacted a measure that will provide more than \$150 billion to begin upgrading the nation's highways, bridges, and rail and mass-transit systems.

However, there is widespread agreement within the transportation industry that the statute has shortcomings. For example, the new law frees states and cities to spend funds on just about any transportation project. Thus, as much as 54 percent of the money earmarked by the statute for highways—about \$65 billion—could be diverted to mass-transit programs.

If that happens, the new bill will fail to meet many of the basic needs it was intended to address.

Also, the consensus is that the Bush administration will not spend all the money the new law makes available. This expectation stems from the administration's use of surpluses in the airport trust fund and the highway trust fund for deficit reduction, when the money was collected from transportation users for infrastructure construction and repairs. These surpluses totaled \$23.5 billion in the last fiscal year.

This year's National Business Agenda calls for close monitoring of the new transportation law and its implementation, with an eye toward gaining remedial actions if necessary.

It also calls for establishment of clear-cut national transportation policy. Goals of this policy should include:

■ Completion and maintenance of an interstate-highway and airport/airway system capable of increasing business productivity and U.S. competitiveness well into the 21st century.

- Educational and other support of communities in their efforts to increase efficiency of existing highways.

- Use of financing methods involve tax increases.

■ **Private-sector involvement.**

■ Use of earmarked revenues

purposes intended by Congress.

Telecommunications

America's competitiveness in the years ahead will be affected dramatically by the ability to telecommunicate massive amounts of computer-generated information quickly, efficiently, and accurately. This view has been widely accepted by government, business, and the scientific and academic communities, yet America still has not made a full-scale commitment to creating an advanced telecommunications infrastructure.

Late last year, Congress passed a law that will establish the first major piece of this infrastructure—a high-speed network of the high-performance computers at major U.S. research centers, most of which are at universities.

The National Business Agenda calls for rapid expansion of this and similar information networks throughout America's economic base, with the ultimate goal of making educational and other information and business services widely available.



Environment And NATURAL RESOURCES



DESIGN: ANGELA REED / PHOTOS CLOCK-
WISE FROM ABOVE: TICH—THE STOCK MAR-
KET; STUTTLE—THE STOCK MARKET;
© THOMPSON—STOCK SOUTH;
© SANFORD—BLACK STAR

Congress must enact a national energy program that encourages domestic production, efficient delivery, and conservation. Also, it must establish a plan for applying responsible, scientific solutions to critical environmental and public-safety problems.

National Energy Policy

The survival of America's businesses depends on their ability to obtain adequate energy at reasonable prices, but U.S. domestic production continues to fall while the nation's dependence on foreign oil continues to rise. By 2000, America will import 60 percent of its oil supply.

Yet the U.S. nuclear-power industry has been regulated and litigated to a virtual standstill, other regulations deter construction of natural-gas pipelines, and production of additional coal and hydroelectric power is constrained by environmental concerns.

The 1992 National Business Agenda calls on Congress to regain its sense of balance between energy and environmental imperatives and to enact legislation that will ensure ample, affordable domestic energy supplies.

Solid Waste, Water Quality, Global Climate Change

Current and proposed laws and regulations concerning the important environmental issues of solid-waste disposal, water-quality improvement, and possible global climate change pose serious problems to business.

For example, some solid industrial wastes, especially hazardous wastes destined for recycling, are highly overregulated—at a correspondingly high price. Product development and production are being hampered by varying state labeling and other requirements.

Although about 70 percent of America's lakes and rivers already meet strict water-quality standards, Congress may require additional expensive controls on already-regulated industrial discharges. And although uncertainty persists over whether the world's climate is changing or will change, Congress continues to consider far-reaching bills requiring everything from population controls to emission and fuel-use taxes.

This year, Congress is due to reauthorize a major solid-waste-management law and the Clean Water Act. The National

Business Agenda calls on Congress to use these reauthorizations as vehicles for enactment of environmentally sound but market-driven solutions to solid-waste and water-pollution problems.

In addressing the threat of global climate change, the agenda also calls for adoption of policies that encourage international cooperation and are based on sound scientific analyses.

Superfund

The federal program for cleanup of toxic-waste sites, commonly known as Superfund, is not working well for businesses, for people living near Superfund sites, or for taxpayers in general.

The Superfund law empowers government to go after companies responsible to some degree for creating abandoned or uncontrolled toxic-waste sites. The protracted process of determining and apportioning responsibility, if any, has caused many firms to incur huge legal bills. Also, as a result of the cumbersome site-assessment and cleanup-determination process, in the 10 years since enactment of the Superfund law, only 34 of nearly 1,200 priority sites have been pronounced "clean" by the Environmental Protection Agency.

The National Business Agenda calls on representatives of business, government, public-interest groups, and other organizations with a stake in making the Superfund program work to develop consensus policy options and legislative recommendations. The goal must be quicker cleanup of a larger number of sites at the lowest cost to businesses and taxpayers.

Food Safety

The U.S. food supply is the world's safest and most nutritious, and no nation's farmers outproduce those in the United States. Yet for the past decade or so, confidence has steadily eroded in the safety and quality of the American food supply, and America's producers have lost some of their ability to compete. Much of this problem is regulatory in nature.

The federal government employs food-inspection techniques that often are decades old. For example, meat, poultry, and egg inspections still rely on sight and smell. States have moved into what they perceive as a regulatory vacuum with inspection programs of their own. But these programs often impose widely different requirements in areas such as permissible pesticide residues.

The National Business Agenda calls on representatives of all links in the commercial food chain to unite in support of the modernization and harmonization of the food regulatory system.



Succeeding In INTERNATIONAL MARKETS



DESIGN: ANGELA REED / PHOTOS: SHIRAKO—THE STOCK MARKET (LEFT), SHIRAKO—FOLIO, INC.

Congress must enact measures to further open foreign markets, stimulate multilateral and bilateral trade, and improve U.S. export financing.

GATT Uruguay Round

The General Agreement on Tariffs and Trade (GATT) is a set of international trading rules co-signed by 108 nations that account for more than 90 percent of the world's exports and imports. A broad expansion of GATT has been under negotiation in the current Uruguay Round, named for the country where the talks began, but major roadblocks remain.

The 1992 National Business Agenda calls for successful negotiation and congressional approval of an agreement that would strengthen international trade while enhancing U.S. competitiveness.

Commonwealth Of Independent States

Legislative and regulatory trade barriers erected by the U.S. government during the Cold War continue to deter American firms from doing business in the states that made up the Soviet Union.

The National Business Agenda seeks normalized (most-favored-nation) trade relations and bilateral trade and investment treaties with these countries, now known as the Commonwealth of Independent States (CIS). The agenda also calls for repeal of statutes that restrict levels of Export-Import Bank financing for U.S. exports

bound for the CIS, and prompt U.S. government technical-assistance programs to train future CIS business leaders.

Economic Relations With Asia

American exporters and investors continue to face formidable impediments to doing business in Asian countries, including China, India, Japan, Korea, and Taiwan.

The National Business Agenda seeks the opening of Asian markets to an extent roughly equivalent to Asian access to the U.S. market. Specifics include continuation of bilateral negotiations and the renewal of the 1988 U.S. trade law's now-expired Section 301, which had been an effective market-opening tool for America.

Economic Relations With The New Europe

A vast pan-European trading area with more than 340 million consumers and with a combined output of about \$5 trillion is beginning to take shape, and at its core is the 12-member European Community. It is thus vital that the "new Europe" remain a free and open market.

To that end, the National Business Agenda calls for continued monitoring of single-market legislation within the EC to ensure American firms' continued ability to compete fairly in Western Europe. The agenda also calls on Congress to approve much-needed technical and financial aid to reform-minded Central and East European countries.

Export Enhancement

If America is to increase its international competitiveness, many more small and mid-sized firms must trade and invest overseas.

The National Business Agenda urges Congress to increase funding for programs of the Export-Import Bank and to remove restrictions on its activities in South Africa, Angola, and other nations.

The agenda says at least \$600 million of U.S. foreign aid should be earmarked for development projects that would increase American exports. It also calls for procedures for greater cooperation in export promotion by the federal government and private entities, such as local and state chambers of commerce.

Foreign Tax Provisions

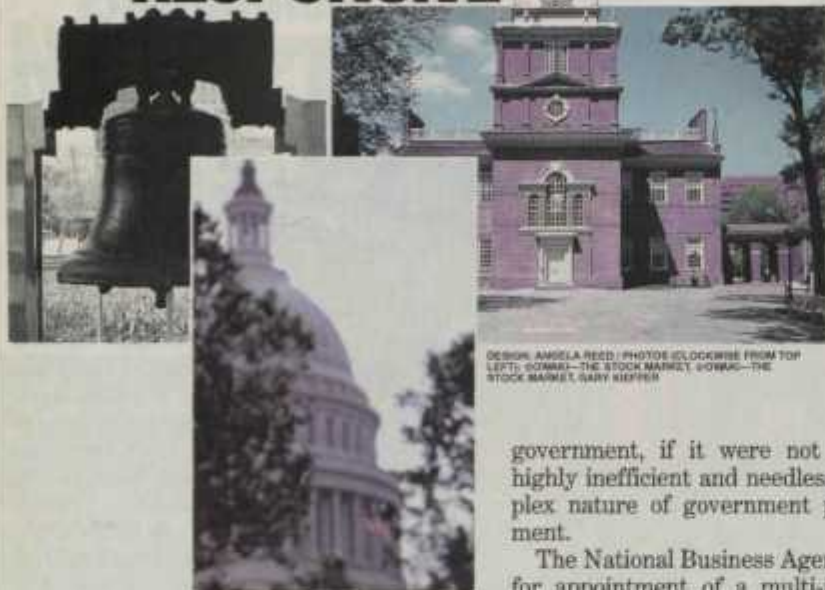
Numerous provisions of U.S. tax law discourage foreign investments by U.S. firms as well as investments in America by foreign firms. Thus, these provisions diminish U.S. competitiveness and reduce employment in America. The National Business Agenda calls for legislation and future tax regulations that would minimize the compliance and record-keeping burdens imposed on American and foreign multinational firms.

North American Free Trade Agreement

Adoption of the North American Free Trade Agreement (NAFTA), covering the United States, Canada, and Mexico, would create the world's largest free-trade area—360 million consumers. NAFTA also would make it easier for U.S. firms to enter into co-production arrangements with Canadian and Mexican companies.

The National Business Agenda calls for conclusion and enactment of a U.S.-Canada-Mexico free-trade agreement that is comprehensive, provides appropriate phase-in periods, contains temporary safeguards covering matters such as import surges, and provides assistance to dislocated U.S. workers.

Making GOVERNMENT RESPONSIVE



DESIGN: ANGELA REED / PHOTOS (CLOCKWISE FROM TOP LEFT): SONNET—THE STOCK MARKET: GOWAG—THE STOCK MARKET: GARY KIEFER

The American government must establish a positive role in critical areas affecting business. Its goals should include minimizing regulatory requirements and paperwork, pre-empting state laws that impede interstate commerce, and making our legal, electoral, and legislative systems function as originally intended.

Federal Budget Process

Despite recent tax increases and alleged commitments to spending restraint, this will be the 12th consecutive year of federal red ink, with no end in sight.

This year's National Business Agenda calls for an all-out, grass-roots effort to add balanced-budget and line-item-veto amendments to the Constitution.

A balanced-budget amendment would also help limit tax increases.

A line-item-veto amendment would allow the president to cut waste by vetoing wasteful items in massive spending measures that he must now accept or reject in their entirety.

The agenda also seeks legislative reform of accounting procedures that help mask the true status of federal finances.

Federal Government Contracting

Each year thousands of businesses sell the federal government over \$300 billion in services and products, ranging from food and furniture to guns and submarines.

Government could get a lot more for its money, and many more firms could sell products and services to the federal

government, if it were not for the highly inefficient and needlessly complex nature of government procurement.

The National Business Agenda calls for appointment of a multi-industry task force and a supporting grass-roots network to secure enactment of legislative and regulatory contracting-process reforms, including increased purchasing of "off-the-shelf" commercial products.

Government Process

Through a series of discrete and gradual operational changes over the years, Congress and much of the executive branch have set themselves apart from public accountability. At the same time, government has effectively exempted itself from many of the laws and regulations that it imposes on business.

Term limitations have emerged as a popular option. Thus, the U.S. Chamber is studying term limits and other proposed reforms in the election process and congressional operations. These proposals are aimed at reducing the advantages of incumbents; simplifying the political process; increasing government efficiency, accountability, and responsiveness to the community; increasing the likelihood of policies for promoting steady economic growth; and decreasing the probability that burdensome laws would be enacted by Congress.

Litigation And Product Liability

Manufacturers and distributors of products are more and more the targets of lawsuits stemming from almost any kind of perceived injury. The costs of this litigation are reflected in higher prices for American-made goods and services.

The National Business Agenda seeks to unite business and other organizations to

settle on, propose, and achieve solutions to the nation's class-action, product-liability, and other litigation-related problems.

Paperwork Reduction

According to the Office of Management and Budget, federal paperwork requirements have increased 17 percent just since 1989, and this paperwork now costs Americans up to \$300 billion annually.

The National Business Agenda calls on Congress to enact paperwork-reduction legislation. Among the measure's provisions are those that would establish a goal of reducing paperwork throughout the federal government by at least 5 percent a year; overturn a Supreme Court ruling that prevents more-widespread implementation of the Paperwork Reduction Act; and require lawmakers to assess the paperwork implications of all new legislation.

Uniformity Of Law

Conflicting state and local laws and regulations that affect areas also regulated by the federal government are becoming a nightmare for many growing businesses.

The National Business Agenda envisions establishing the U.S. Chamber as an information clearinghouse for local and state chambers of commerce, businesses, and other interested organizations.

The agenda also calls for identification of areas in which conflicting laws and regulations pose the greatest obstacles to business. It seeks development of a strategy for correcting these problems through federal pre-emption of state laws and other means, including development of model state codes.

Voter Registration

Congress continues to enact policies that harm business and the U.S. economy. Yet a substantial proportion of business people do not vote and do not encourage others to do so.

The National Business Agenda calls for vigorous efforts to get business people to the polls in support of pro-business candidates in the November elections.

This effort, which is being carried out in conjunction with Vote America, a non-profit, nonpartisan organization based in Washington, D.C., centers primarily on distribution of materials that businesses and organizations can use to register new voters, encourage voting, and arrange for absentee voting. (For more on this program, see "Getting Out The Business Vote," on Page 27.)



To order reprints of this article, see Page 65.

POLITICAL ACTION

Getting Out The Business Vote

By David Warner

Business has developed a sweeping agenda for restoring long-term growth to the nation's economy and now faces the challenge of helping that plan become enacted into law.

Business's agenda, detailed in the cover story, on Page 18, is to be implemented in two phases. One phase calls for pressure on current members of Congress to accept the need for fundamental policy changes, as opposed to election-year quick fixes and gimmicks. The other phase centers on identifying and rallying support for congressional candidates who support business's basic approach.

"If current members of Congress will not endorse effective economic-growth policies, business must then move the debate to the political arena and work for the election of growth-oriented candidates to Congress in 1992," says Donald Kroes, vice president for legislative and public affairs for the U.S. Chamber of Commerce. The Chamber developed the business agenda after extensive consultation with its grass-roots membership.

"The next Congress will likely be taking action on a host of economic issues that affect business, including taxes, health care, and regulations," Kroes adds. "It's imperative to have legislators who will support policies that will help business."

The first step in that strategy, Kroes adds, is a commitment by individual business people to vote. While it is widely known that many—or, in some years, most—voting-age Americans neglect to vote (see the chart at right), business people are often surprised to find that the problem extends to their own ranks.

According to the U.S. Census Bureau, 30 percent of white-collar workers were not registered to vote in 1988—a presidential election year. And a quarter of those who were registered did not vote.

Of the total voting-age population, about 35 percent of Americans are not registered to vote. Of those who are registered, only about 65 percent—or, typically, less than half of all voting-age Americans—vote in nonpresidential election years.

To increase voter turnout, the U.S. Chamber is launching an initiative with the nonpartisan Vote America Foundation to encourage business owners and their employees to register to vote and, if

Voting-Age Americans

	Number, in Thousands	Registered	Voted
1968	112,800	70.3%	55.4%
1968*	116,535	74.3	67.8
1970	120,701	68.1	54.6
1972* +	136,203	72.3	63.0
1974	141,299	62.2	44.7
1976*	146,548	66.7	59.2
1978	151,646	62.6	45.9
1980*	157,085	66.9	59.3
1982	165,483	64.1	48.5
1984*	169,963	68.3	59.9
1986	173,890	64.3	46.0
1988*	178,098	66.6	57.4
1990	182,118	62.2	45.0

* Presidential election year

+ The minimum voting age was lowered to 18 in July 1971.

Source: U.S. Department of Commerce, Bureau of the Census

ILLUSTRATION: KATHLEEN VETTER

need be, to vote by absentee ballot. (For details on obtaining materials designed to encourage voting among employees, see Page 28.) Vote America, in Washington, D.C., is a nonprofit group funded largely by businesses; its purpose is to increase voter registration and participation.

The Vote America initiative stems from the low voter participation long characteristic of Americans. Curtis Gans, director of the nonpartisan Committee for the Study of the American Electorate, a Washington-based research organization that seeks causes and cures for political nonparticipation, says: "Ninety percent of the low voter turnout and low registration problem and 100 percent of the decline [in voting relative to the voting-age population] is in motivation. The reason that people aren't voting is because... they're not, in most cases, given a reason to vote."

This year, though, the public has a reason to vote, Gans says—the state of the economy. The country's economic pulse is barely perceptible. Last year the gross domestic product was 0.7 percent below the previous year's level. Factory

orders and other growth indicators are down, unemployment is nearly 7 percent, and consumer confidence is low.

U.S. Chamber economists forecast GDP growth at an anemic 1.6 percent for 1992 unless Congress adopts the growth policies of the business agenda developed by the Chamber. That's why business involvement in this year's elections is critical, says the Chamber's Kroes, who points out that the 1992 elections will feature races for the presidency, all 435 U.S. House seats, and 35 of the 100 Senate seats.

Whatever the extent of its activities to fill those offices, however, business will find its political efforts strongly challenged. Despite its continually shrinking ranks, organized labor remains the driving force of many proposals that business sees as threats to economic recovery. Those proposals include health-care and family-leave mandates on employers, more regulations, a ban on replacement of striking workers, higher taxes on business, and stepped-up federal spending.

Much of the unions' continuing political

POLITICAL ACTION

influence on many members of Congress is the result of labor's political activities, which have long been better-financed and more sophisticated than those of business. It is estimated by some political experts that over the past several elections, organized labor has spent more than \$200 million per two-year election cycle on in-kind political activities, such as phone banks and get-out-the-vote drives.

But concerted political action by business could turn things around, says Kroes. While pro-business legislators are now a minority in both houses of Congress, their ranks could be expanded into a majority through business support, the Chamber official says.

And business people are responding. Earl Hess, president and founder of Lancaster Laboratories, in Lancaster, Pa., says this is a particularly opportune time for increased political action by business:

"This year, especially with the presidential election coming up and with the economic situation the way it is, there's a good opportunity for us in the business community to say, 'Hey [employers and employees], you've got to get out and get informed about the issues and candidates and help us make some choices that could get the economy turned around.'"

Hess is one of a number of owners of small and medium-size businesses who

plan to encourage his employees to become involved in the political process. He says his firm will remind its 370 workers to vote and will also "enlighten them on issues that are important to our business."

"We would like our employees to be more active in voting and advocating positions that are important to us and, therefore, important to them," he says.

Although telling employees which candidates to vote for is illegal, employers can provide workers with materials on where candidates stand on various issues and what issues are important to the company.

Vermont Yankee Nuclear Power Corp., for example, will provide its 335 employees with political-education materials and reminders to vote, says Bill Pritchard, government-affairs representative for the Vernon, Vt., utility. He says the company will continue a voter-registration program that has registered 70 workers over the past three years, and it is considering conducting lunchtime candidate meetings for employees.

"There are a lot of people not educated on the political system," Pritchard says. "We want to educate the people and let them make their own decisions."

Those decisions can make a difference for business.

For example, a move to ease the Clean Air Act's compliance burden on small

firms was defeated in the Senate in 1990 by just two votes. Also that year, a House proposal aimed ultimately at changing the Constitution to limit federal spending fell just seven votes short of passage.

In Missouri's 2nd Congressional District in 1990, Rep. Jack Buechner, a strong supporter of business, was defeated by Joan Kelly Horn by only 54 votes in a race in which 254,000 district residents of voting age did not cast ballots. Buechner had an 84 percent pro-business voting record during his two terms in office, based on the U.S. Chamber's analysis of congressional voting records, while Horn received a Chamber rating of 30 percent for her votes in 1991 on business-related legislation.

The 189,000 votes cast in the district represented only 42 percent of the voting-age population of 443,000 and only 55 percent of the 340,000 registered voters.

"America's—and business's—economic future is in the hands of America's voters," says the Chamber's Kroes. "You've got to have people in office who share your point of view or who are at least willing to listen."

The basic question, he says, is: "How do you get those people into office?"

His answer: "Vote."

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Resources On Voting

Through the U.S. Chamber of Commerce, its regional offices, and its local and state chambers and member associations, businesses can obtain information on registering and encouraging their employees to vote, and on showing workers how to vote by absentee ballot.

Materials reminding employees to vote, including posters and payroll inserts, can be obtained—at no charge to Chamber members—through the U.S. Chamber's Publications Fulfillment department, at 1-800-638-6582.

Also available through Publications Fulfillment are copies of *How They Voted*, the Chamber's publication of congressional voting records on business-related legislation.

Copies are \$3 each for Chamber members and \$3.75 for nonmembers.

The regional offices are: Eastern, in New York, (212) 370-1440; Central, in Oak Brook, Ill., (708) 574-7918; Southern, in Dallas, (214) 387-0404; and Western, in Burlingame, Calif., (415) 348-4011.

Information on voter registration and voting is also available from **Vote America**, 1200 19th St., N.W., Suite 603, Washington, D.C. 20036; (202) 659-4595; and from the **League of Women Voters**, 1730 M Street, N.W., Washington, D.C. 20036; (202) 429-1965.

FINANCE

Tax-Saving Tips For Small Firms

By Joan C. Szabo

It is not too soon for small-business owners to start implementing strategies to keep their taxes to a minimum for 1992. Even though tax-law changes are expected this year, starting early produces the best results.

"It's always wise to keep an eye on the horizon as well as on what is happening today so you can minimize your tax costs," says Thomas P. Brock, chairman of the board of the accounting firm of Brock & Co., in Boulder, Colo. For many small

businesses, so there is no extra depreciation over the life of the equipment. It simply accelerates the depreciation into this year," says Brock. As a result of these two factors, taxpayers may want to accelerate income into 1992.

It also is a good idea to defer any capital gains until Congress again considers a capital-gains tax cut. Bush, who lost an earlier battle with Congress over such a tax cut, proposed in his latest State of the Union address to cut the maximum capi-

These suggestions can help small companies minimize the taxes they pay for 1992.

tal-gains tax rate to 15.4 percent. The 33 percent rate had phased out the benefit of the 15 percent tax bracket and the benefit of personal exemptions. This was accomplished by imposing an additional 5 percent tax, producing an effective marginal tax rate of 33 percent.

Since the start of 1991, there has been no 33 percent rate; there now is a new 31 percent tax bracket. But for high-income individuals, the effective marginal tax rate may be higher than 31 percent. The law says that the amount of personal-exemption deductions you may claim is reduced when your adjusted gross income exceeds a certain amount. The deduction for personal exemptions is phased out by 2 percent for each \$2,500—or fraction of \$2,500—that your adjusted gross income tops \$150,000 if you are married and filing joint returns, or \$100,000 if you are single.

While married taxpayers expect to pay a 31 percent federal tax rate on income over \$82,150 in 1991, and over \$86,500 in 1992, this won't be the marginal rate for those who earn over \$100,000, says Richard R. Shavell, CPA and tax manager for the accounting firm of Zelenkofske, Axelrod & Co., Ltd., in Jenkintown, Pa. The phase-out of itemized deductions, losses on rental real estate, and personal exemptions may raise a taxpayer's marginal tax liability to far more than 31 percent, he says.

Shavell explains how a married couple filing jointly with \$100,000 in wages could end up paying more than 31 percent in taxes if, for example, a year-end bonus boosted the couple's 1991 income to \$120,000.

This couple has itemized deductions of approximately \$29,000. The deductions include real-estate taxes and mortgage interest. In addition to \$100,000 in wages, the couple's gross income includes \$5,000 in interest and dividends and \$25,000 of passive losses.

Under these circumstances, the couple is in the 28 percent bracket and has a 1991 tax liability of about \$7,500. If the couple receives the \$20,000 year-end bonus, however, the tax liability jumps by \$9,000, to a total of about \$16,500; the marginal tax rate on the additional income is 45 percent. "That is because they now lose some of their real-estate investment loss deduction as well as a piece of their general itemized deductions," Shavell says.

To avoid any unpleasant surprises in



PHOTO: J. MICHAEL REZA

Home-office deductions draw IRS scrutiny, says tax authority Jack Porter, center, of BDO Seidman, shown with the accounting firm's Joan Shifrin and Lorin Lucha.

firms, a key planning technique will be to accelerate income into 1992 and defer deductions until 1993, Brock says. This strategy should be particularly effective for companies that may have disappointing sales in 1992. A poor sales year could push them into a lower tax bracket.

In addition, President Bush's proposal for a one-time investment tax allowance—should Congress enact such legislation—also would help reduce 1992 taxable income, says Brock. The investment tax allowance would provide an extra 15 percent depreciation allowance for business equipment purchased in 1992. Currently, businesses depreciate equipment following the accelerated cost-recovery system. "The proposed allowance will be subtracted from future depreciation al-

lowances, so there is no extra depreciation over the life of the equipment. It simply accelerates the depreciation into this year," says Brock. As a result of these two factors, taxpayers may want to accelerate income into 1992.

According to Brock, a reduction of that magnitude could cut the capital-gains tax owed on the sale of a business by as much as half, depending on the firm's value.

When devising your tax strategy, keep in mind that the law contains three regular tax brackets for individuals: 15 percent, 28 percent, and 31 percent. The income levels at which these rates apply are adjusted each year for inflation. (See the chart on Page 30.)

The majority of small firms—sole proprietorships, partnerships, and Subchapter S corporations—pay taxes at individual rates.

Previously, some taxpayers had to pay a 33 percent tax rate on a portion of their income, but Congress repealed this tax-

1992, make certain your accountant is on top of this situation for you. In addition, be sure you know how much cash you will need to meet your tax obligations on April 15, 1993.

There are a number of other tax strategies you should keep in mind as you do year-round tax planning for 1992. Here are some of the most important ones:

Overdue Receivables. Firms using the accrual method of accounting—recognizing income when services and products are delivered—should review overdue receivables to determine whether any have become uncollectible. "Bad debts can be deducted as long as you can prove that you have tried to collect the income and are unable to do so," says Jack Porter, national director of tax practice for the accounting firm of BDO Seidman, in the company's Washington office.

Estimated Taxes. A new law on estimated taxes speeds the payment of estimated taxes for certain middle- and upper-income taxpayers, including a number of small-business people whose incomes have increased significantly in the past year.

This change will catch a number of small-business people off guard, says accountant Shavell. Until the law was changed at the end of last year, taxpayers were able to avoid the penalty for underpayment of estimated tax by making sure their estimated tax payments for the year were at least 100 percent of the prior year's tax or 90 percent of the current year's tax, whichever was less.

Beginning in 1992, the 100 percent exception is repealed for individuals who have made estimated tax payments in any of the three preceding years and whose current adjusted gross income is over \$75,000 and exceeds the previous year's income by more than \$40,000.

This rule will not apply to the first quarterly payment or to an individual who meets the \$40,000 test solely because of the sale of a principal residence.

In addition, an individual, other than a general partner, who owns 10 percent or less of a partnership or S corporation can use the preceding year's income from the entity for purposes of the \$40,000 test and to compute the current year's estimated tax liability.

Complying with the new law will be extremely difficult, says accountant Brock, because the information on which to base estimated tax payments in many instances won't be available to small businesses at the time they need it. "This new law flies in the face of tax simplification. It is one of the most complicated provisions Congress has ever devised," he says. But firms will have to comply and will likely need more professional help to do so. If they don't comply, they will face

underestimated-tax penalties.

If you earn a regular salary and also have a sideline business, you may wish to avoid paying estimated taxes by increasing your withholding taxes at work to cover the additional estimated amount. You will want to have enough withheld to cover at least 90 percent of your current year's tax liability or 100 percent of the tax liability from the previous year.

Keogh Plan Contributions. If you are self-employed either full time or part

There are fewer administrative burdens with SEPs than with other qualified retirement plans. No formal written plan is required with a SEP, and there is no annual reporting to the U.S. Department of Labor. These plans are designed to be simple, cost-efficient retirement programs for small-business owners and self-employed individuals.

Profit-Sharing Plans. If you have established a pension plan for your employees, you may wish to consider chang-

1040 1040 1040 Department of the Treasury—Internal Revenue Service 1040 1040 1040 Department of the Treasury—Internal Revenue Service 1040 1040 1040 Department of the Treasury—Internal Revenue Service			
FORM	1040	1991	
TAX RATES FOR INDIVIDUALS			
	Rate	1991 Taxable Income	1992 Taxable Income
Single	15%	\$0 - \$20,350	\$0 - \$21,450
	28%	\$20,351 - \$49,300	\$21,451 - \$51,900
	31%	Over \$49,300	Over \$51,900
Married Filing Jointly	15%	\$0 - \$34,000	\$0 - \$35,800
	28%	\$34,001 - \$82,150	\$35,801 - \$86,500
	31%	Over \$82,150	Over \$86,500
Married Filing Separately	15%	\$0 - \$17,000	\$0 - \$17,900
	28%	\$17,001 - \$41,075	\$17,901 - \$43,250
	31%	Over \$41,075	Over \$43,250
Head Of Household	15%	\$0 - \$27,300	\$0 - \$28,750
	28%	\$27,301 - \$70,450	\$28,751 - \$74,150
	31%	Over \$70,450	Over \$74,150
Income levels are adjusted annually for inflation. Treatment of exemptions and deductions above certain income levels (for example, \$100,000 for single individuals, or \$150,000 for married couples filing jointly) can result in an effective marginal rate higher than 31 percent.			
Source: The Internal Revenue Service			

CHART: DEBORAH J. HUMPHRIES

time, you have until your tax-filing deadline to make a deductible deposit for the year in a retirement plan known as a Keogh plan. You may deduct your Keogh contributions and pay no tax on any earnings that accumulate until you begin to collect benefits, usually at retirement. The Keogh plan itself must have been set up by Dec. 31, 1992.

Simplified Employee Pension (SEP). Small-business owners and self-employed individuals also may wish to consider a SEP plan instead of a Keogh. (Under tax law, you cannot have both.) Your contribution to such a plan is not included in your income for the year, and if you set up the plan and make the contribution before April 15, 1993, the SEP can be used to trim your 1992 tax bill.

As an employer, you can contribute up to 15 percent of your earnings to a SEP, or \$30,000, whichever is less.

ing to a profit-sharing plan. In this way, you can put cash into the plan in profitable years and save cash when times are tough.

"In the lean years, a profit-sharing plan gives employers a break because if a company is not profitable, it is not required to contribute to the plan," says Porter.

Pension plans, on the other hand, require employers to make an annual contribution regardless of the company's annual performance.

Withholding-Table Changes. President Bush recently called for a change in the federal tax-withholding tables, so that many low- and middle-income individuals will automatically have less withheld from their paychecks in 1992. Bush accomplished the change administratively, without congressional approval.

"A serious problem is going to develop as a result of this program," says Thomas



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FINANCE

M. Bloch, president and chief operating officer of H&R Block, Inc., in Kansas City, Mo. "Many people are going to have a rude awakening next year when they fill out their tax forms and find their refund is not there," he says. "People not only want refunds, they expect them. It is forced savings for many people."

Employees who don't want to have their withholding changed will have to file a W4 form.

Home Office. A recent federal appeals court decision, *Soliman v. Commissioner*, may be of some help to taxpayers who previously could not qualify for a deduction for home-office expenses.

The home-office rule lets taxpayers deduct expenses for that portion of their home used exclusively and regularly as the principal place of business or as a place for meeting or dealing with customers and clients in the normal course of a trade or business.

In the past, there has been some dispute over what constitutes a principal place of business. The courts have adopted the "focal point" test. To deduct home-office expenses, the home office had to be the place where goods and services were provided to customers and where revenues were generated, thus the "focal point" of the business.

In this case, Dr. Nador Soliman, a self-employed anesthesiologist, provided services and generated the revenues for his practice at three hospitals. He did not meet the "focal point" test; he had no office space at any of the hospitals. He used his home office to carry out duties essential to his practice, such as keeping patients' medical and billing records.

The Internal Revenue Service disallowed Soliman's deduction for expenses for his home office because he never treated patients there. The tax court, however, ruled that his home office met the principal-place-of-business requirement. The court said taxpayers could deduct home-office expenses whenever management or administrative activities are essential to the trade or business and the only available space is in the taxpayer's home.

As a result of the ruling, some taxpayers who were unable to take the home-office expense deduction in the past might be able to do so now. Check with your accountant to see if you qualify.

Keep in mind, however, that the IRS has announced that it will not apply the Soliman case to other situations. (The IRS is not obliged to apply a court ruling in a particular case to other instances in which the facts appear to be similar.)

In addition, be aware that the IRS scrutinizes home-office deductions very carefully, says accountant Porter. "If you claim this deduction, make sure that your office meets all the tests."

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RETAILING

Extend Your Reach By Catalog Sales

By Meg Whittemore

When Jo-Von Tucker decided to sell her Cape Cod clambake dinners-to-go through a mail-order catalog in early 1990, she hadn't banked on the recession, Hurricane Bob, or the worst northeastern storm to hit the East Coast since 1978.

Tucker, who owns Clambake Celebrations, based in Orleans, Mass., says: "The hurricane left us without power for six days, no phone service, and we lost our inventory. Worse still, we couldn't reach our customers to let them know what had happened."

From her 27 years of experience as a direct-mail marketer, Tucker continues, "I knew I had to start shipping again

owners don't do their homework up front," says Lisa Caugherty, director of the shop-at-home information center of the Direct Marketing Association, in New York. Industry experts say that the failure rate of new entrants remains high. According to various estimates, 50 to 80 percent fail within three years.

Starting a catalog is "like starting another business," says Katie Muldoon, author of *Catalog Marketing: The Complete Guide to Profitability in the Catalog Business* (AMACOM). "It takes extensive research, getting the right expertise on board, hard work, and enough capital to see you through the first three to five years," she told *Nation's Business*.

Branching into catalog sales can be as risky as starting a new business, but, done carefully, it can help you tap new markets.

Penney Co., Inc., and Spiegel, Inc., as well as by a wide range of smaller catalogs.

In 1990, the Direct Marketing Association says, 13.6 billion catalogs were mailed to consumers, and it estimates that more than 100 million consumers shopped by phone or mail in 1991. (See the charts on Pages 34 and 36.)

Sandra Stewart, a spokeswoman for the U.S. Postal Service, says catalogs are "a good revenue generator for us," accounting for nearly \$7 billion in 1990. That revenue figure includes not only postage paid by retailers to mail their catalogs but also postage paid by companies and consumers in their correspondence with one another. Stewart adds that catalogs represented over one-third of the total volume of mail handled in 1990.

The numbers continue to increase in spite of postal rate increases in recent years. Most catalogs are sent by third-class mail, says Don Allen, director of the Office of Rates for the U.S. Postal Service, and rates for such mail "went up 25 percent in 1988 and another 25 percent in 1991."

To reduce costs, catalogers prune their mailing lists to eliminate all but those recipients most likely to buy, or drop those who don't buy after receiving one or two catalogs, or charge for catalogs.

When Jo-Von Tucker bought her firm in 1990, it was called The Clambake Company. She says she liked its specialty food niche and "its great potential for expansion into direct marketing." She renamed it Clambake Celebrations. It offers fresh New England lobster dinners, steamer clams, clam chowder base, and clambake dinners for up to 10 diners, complete with the pot for steaming. An average order is \$157.

The fresh seafood, along with ancillary products such as individual butter warmers, lobster plates, and audio cassette tapes of the sounds of the ocean, are sold through a colorful loose-leaf catalog as well as by direct mail, through newspaper and magazine advertising, and at a retail store in Orleans, Mass.

When she bought Clambake Celebrations, Tucker complied with one of the principal rules of catalog retailing generally recommended by experts: "I knew I had a product and service that set me apart from my competition," she says. "You need a really strong concept busi-



PHOTO: ARCHIBUD HOWARD

Catalog marketer Jo-Von Tucker, in the kitchen of her Orleans, Mass., firm, Clambake Celebrations, sells fresh lobster and clambake dinners and other meals by mail.

immediately. Customers who don't hear from you regularly soon forget you."

With the help of an economic-disaster loan from the U.S. Small Business Administration, Tucker recovered her losses and stayed in business.

It was her experience in a complex, highly specialized field of marketing that enabled her to survive, Tucker says. But many of the dozens of entrepreneurs who start catalog businesses each year aren't as prepared for problems as she was.

"Catalogs fail primarily because the

Catalogs have been used as shop-at-home sales tools for hundreds of years. The Direct Marketing Association's records show that the first known catalog in the U.S. was started by William Prince of Flushing, N.Y., in 1771—offering fruit trees for sale.

At-home shopping was ushered into America's daily life to stay at the turn of the century by Sears, Roebuck & Co. and L.L. Bean, two companies that are still leaders in the catalog industry. They have been joined by such catalog giants as J.C.

ness, one that will lift you up and above anyone else who may be doing what you are doing."

Another major rule of retailing by catalog—obtaining a clean and useful mailing list—caught Tucker by surprise. "I bought the company thinking I had 40,000 house names to mail to," she says. "After cleaning the list [verifying names, addresses, and interest in her products], I was left with 17,000 names. That was a serious setback for us."

To recover, Tucker invested in one-step advertising in several national magazines. One-step advertising sells the product directly from the ad through means such as a mail-in coupon or a toll-free phone number, she explains. "It was a good choice. It enabled us to get our name out there, to prospect [for potential buyers] aggressively, and to cover our advertising cost by selling the clambake dinners directly from the ad."

Next, drawing on experience she had gained before buying Clambake Celebrations, Tucker produced a catalog. As a marketing expert and consultant, she had worked on all phases of catalog production—text, photos, design, printing, and distribution—for various retailers. Having had a hand in turning out about 500 catalogs, she says, she knew exactly what she wanted when it came to a catalog for her own business.

"I am very image-conscious, and it was important to me that our catalog convey the caring, hands-on little company that we are," she says. "I wanted our customers to know that we were focused on the quality of our product and on delivering service to them."

The result was a four-color catalog in a loose-leaf format. (Four-color printing produces a natural, all-color image, like a photograph or painting.) Each catalog page depicted one product—a marketing technique called focus. "When you can take a full sheet and devote all your attention to it, that tells your customers that you are committed to that product," she says. "It's like looking at a photograph of one person vs. a photo of 50 people."

Tucker's catalog wasn't inexpensive. Production and printing costs for 60,000 copies totaled \$120,000, and postage came to \$36,000 (60 cents per catalog).

Tucker says her costly catalog is paying off. The loose-leaf approach allows her flexibility in customizing catalogs for certain customers and in testing new products. "If an item doesn't sell well, or we can't get it from the manufacturer, we pull that page," she says.

Her approach has been successful; 1991 gross sales are expected to reach \$700,000, and her "clean" mailing list is back up to 40,000 names. Even though the business is still in the red, Tucker is satisfied with her progress, she says. "I

The Growth Of Catalog Shopping

Adults, In Millions,
Who Shopped By Phone Or Mail

Percentage Of
Adult Population

1983	57.4	24.5%
1984	64.4	40.0
1985	76.2	46.2
1986	87.7	52.0
1987	88.0	52.0
1988	88.5	51.0
1989	91.7	51.4
1990	98.6	54.4

Source: Simmons Market Research Bureau

have never worked so hard in my life, but I have never had such a good time, either."

How do you know if you should start a catalog? "The rule of thumb," says author Katie Muldoon, "is that if you have saturated and grown as much as you can in the markets you are currently serving, you might want to look into using catalog/direct-mail sales to increase your access to the consumer."

You must also decide whether your catalog should be printed with black-and-white or four-color photos and illustrations. "It depends on what you are selling," says Muldoon. "If a folksy, quaint, country setting is what you want to convey to your customers, then consider black-and-white illustrations." If the customer needs to see the actual product—such as clothing, furniture, tools, or kitchen accessories—then think about investing in a four-color catalog, she says.

There is no average cost for starting a catalog, Muldoon says, but "count on postage, printing, and paper as [being] the most expensive elements."

One entrepreneur who knows about producing both black-and-white and glossy four-color catalogs is James Hollan. He used both methods for his now-defunct business called Scottish and Irish Imports, which was based in Annapolis, Md. Hollan wrote about most of his mistakes—and his resulting wisdom about catalog production and marketing—in *The Catalog Handbook* (Hippocrene Books), in which he suggests that in starting a catalog business, you should try to make every dollar work like 10.

Hollan's retail business and catalog featured assorted goods from Ireland and Scotland—including swords, bagpipes, kilts for men, jewelry, and handmade sweaters. In 1981, Hollan and his partner designed their first black-and-white catalog and had a few thousand printed. During the 1980s, the Scottish and Irish Import catalog steadily expanded into sophisticated circles nationwide, until Hollan found himself producing full-color catalogs with a 1.4 million print run. His business was growing, and so was his income. Then he ran into trouble.

Overextended in a bad market, Hollan

Sources Of Start-Up Help For Cataloging

Following are some useful resources on getting into the catalog business.

The Direct Marketing Association's various information resources on the mail-order business include *The DMA Catalog Start-Up Resource Guide*. This comprehensive collection of research, tips, and guidelines for starting a catalog company is available for \$29.95 (check or major credit card) from Direct Marketing Association, Inc., 11 West 42nd St., New York, N.Y. 10036-8098; (212) 768-7277.

Catalog Marketing: The Complete Guide to Profitability in the Catalog Business (AMACOM), by Katie Muldoon, contains advice on successfully marketing your catalog. The book costs \$75 and is available from AMACOM, P.O. Box 1026,

Saranac Lake, N.Y. 12983-9986. To place phone orders, call (518) 891-5510.

The Catalog Handbook (Hippocrene Books, Inc.), by James Hollan, offers tips on producing a successful mail-order catalog and finding good list brokers. The \$14.95 handbook is available in bookstores and through Hippocrene Books, Inc., 171 Madison Ave., New York, N.Y. 10016.

Catalog Age (Cowles Business Media), a monthly magazine for catalog devotees, is a good resource for catalog-industry news and trends. A subscription is \$64 per year, but the magazine is free to companies already publishing a catalog. Write to *Catalog Age*, Six River Bend Center, 911 Hope St., Box 4275, Stamford, Conn. 06907-0275; or call (203) 358-9900.

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RETAILING

lost \$450,000 on his 1989 four-color catalog and never fully recovered. "I moved from being a nice small catalog into trying to play with the big boys," he said in an interview, "and it didn't work."

Hollan said he now cautions small catalogers against the temptations of producing overly expensive catalogs and of expanding too quickly into new markets on the basis of demographic studies. "Don't lose control of your personalized service," he said, "and watch your budget."

Hollan says you must have a product or service that sets you apart from your competitors and that you must develop a solid mailing list. "Use a list broker," he advises.

List brokers make their money by selling lists that are compiled from a wide assortment of sources.

Hollan recommends telling two or three

small companies who go through the labor and expense involved in producing a catalog, then fail to capitalize on that investment," he says.

To make the most of your catalog-sales efforts, consider these pointers drawn from Hollan's book and his interview with *Nation's Business*:

■ **Make sure your employees who take customers' orders by phone can also make sales.** For example, if someone orders shoes, ask if the caller needs socks.

■ **Have a daily phone special.** Offer a discounted price on a particular item to each customer who calls to place an order.

■ **Combine high-profit items for specials.** "We increased our tweed-tie sales by over 70 percent when we advertised 'buy three and get the fourth one free,'" says Hollan. "Instead of an average tie sale of \$15, with a profit of \$10, we had an average sale of \$45, with a profit of \$25."



PHOTO: CLARRY O'BRIEN-BROOKLYN BASE GROUP

Billions of catalogs are mailed each year.

■ **Combine items that are not profitable enough on their own.** "We did this with food items that did not have a high ticket price but sold well in our shop," says Hollan. For example, an Irish cookbook (\$5) was combined with an Irish mug (\$6) and a pack of 10 Irish tea bags (\$1). "Each item alone wasn't profitable enough to be included in the catalog," says Hollan, "but as a \$12 unit, it sold very well."

■ **Advertise pre-release specials.** Send a note to your repeat customers, telling them that you will be featuring certain items at a later date but are willing to give them an "early bird" special price.

■ **Rent space in your catalog to compatible but noncompeting companies.**

■ **Make sure you pack a current copy of your catalog in every box going out.** "If customers are pleased with the ship-

ments, it is very likely they will turn around and order again as long as you make it easy for them," says Hollan.

■ **Use your catalog to sell to suppliers.** "Some suppliers," Hollan says, "wouldn't give us the time of day when we were small, but as soon as they saw their archival featured in our catalog, they became very interested in working with us."

If you are seriously thinking about starting a catalog or expanding your retail business through mail order, "don't try to do it on your own," says Clambake Celebration's Tucker. "There are too many ways to lose money."

Tucker suggests that you seek out someone who has a "serious track record of helping small catalogers get started and get into the black." Although a catalog can be expensive to produce, she says, "it is cost-effective—bottom line—but you must know what you are doing."

You must also do your homework in advance, says the Direct Marketing Association's Caugherty.

Moreover, experts say, you should watch for a U.S. Supreme Court decision that could mean higher costs for catalog and direct-mail customers. The case, which could be decided this summer, involves a 24-year-old court ruling that drastically limits the ability of states to collect sales taxes from out-of-state firms. If the court reverses its earlier ruling, catalogers and other direct-mail retailers could be forced to charge sales tax on the same basis as in-state retailers and remit those taxes to the states where the customers live. Currently, businesses that do not have a "physical presence," such as a store or warehouse, within a state are not required to collect and remit sales tax on goods sold to customers in that state.

If the court clears the way for states to require catalog firms to pay state sales taxes, the mailers will face a massive accounting challenge in determining which items are taxable in which states.

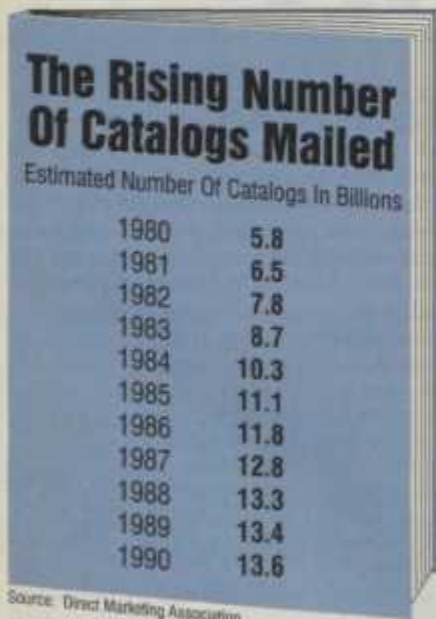
Many smaller catalog companies could find they cannot assume such a complex and costly responsibility. Others will find ways, including greater use of technology, to adapt. And newcomers will continue to pursue this particular form of enterprise.

Although competition among catalog retailers is fierce and the costs and risks of starting such an operation can be formidable, the results can be substantial. Catalog-sales experts generally agree that there is always room for an innovative product or service.

As Hollan writes of his own experience: "If a guy in Annapolis can make a fortune selling bagpipes by mail, can your idea really be so crazy?"



To order reprints of this article, see Page 65.



list brokers the kinds of products you sell, and "have them make suggestions to you about the specific qualities you want from your potential buyer."

Hollan says you should "count on paying an average of 10 cents or more per name." Most list brokers require a minimum order of 5,000 names, and so the minimum cost to buy a starter list is about \$500. "You should start with two or three such lists," he says. Also, you don't pay for the lists until you use them.

Learning the ropes of catalog retailing means lots of basic research, says Hollan. It means reading about direct marketing, attending seminars on the subject, and gaining access to someone with direct-marketing experience.

The marketing doesn't stop when you send out your catalog, says Hollan. He maintains that the sale begins when you are talking to the customer on the phone. "I am constantly amazed at the number of



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A Business That Sweats The Details

Joyce Meskis' big Tattered Cover Book Store is just like home for browsers and buyers.

By Sharon Nelton

When out-of-town friends come to visit, do you take them to your local bookstore for a good time? Do some people schedule flight stopovers in your city just so they can do some shopping at this bookstore? When the bookstore moves from one location to another, do its customers help out on moving day—not once but twice?

No? Then you don't live in Denver, home of the Tattered Cover Book Store, one of the largest independent bookstores in the country. And certainly one of the most loved.

Customers have an "emotional bond" with it, says Tattered Cover owner Joyce Meskis. They think of it as *their* store; they like going there, and they like to share the experience with friends and relatives.

Soft-spoken and low-key, Meskis says in a quiet voice that "we have been greatly amazed about this."

But, in fact, it's not so amazing. Meskis has never been content just to offer best sellers, and the Tattered Cover provides just the environment she set out to create. It occupies a five-story building that was once a department store, and it houses 500,000 volumes representing 155,000 titles. Where book-

stores are considered large if they get beyond 5,000 square feet, the Tattered Cover's selling space alone covers 40,000 square feet throughout four floors. Despite its size, it's just like home.

"There's something comforting about this atmosphere—sofas around, chairs you can sit in," said Tamara Hertz, 31, a customer who had brought a friend from California into the store not long ago. Hertz, a lawyer, said she had visited the Tattered Cover every week or two since moving to Denver from Los Angeles three months earlier. "It's a very nonpressured environment," she said, commenting on the store's "incredible" selection. "I can't imagine that I couldn't find a book that I wanted here."

Her words couldn't be more in tune with Joyce Meskis' vision for the Tattered Cover. Meskis wanted to create a living-

room type of environment, where people who already love books could come and browse. But she also wanted an atmosphere that would allay the fears of people who are intimidated by books.

Meskis likens the Tattered Cover to "the old, warm, well-worn house slipper that you want to put on—comfortable but fairly well made."

Everything says that this is a friendly

surprise, she says: "As I looked at the future, daydreaming what it might hold for me, I could see myself of course having gotten the zillion degrees and having gotten a good job at a fine university, and there I was, coming home from class having taught brilliant students all day long, briefcase in hand, kicking the fall leaves as I approached my nice but not ostentatious house where I was hearing strains of Chopin being played by my children, because I wanted to be a wife and a mom and have a brilliant career."

But, as Meskis is the first to admit, things didn't work out that way. The daughter of a wholesale cake salesman and a nurse, she grew up on the south side of Chicago. To pay her college tuition, first at Purdue University and later at the University of Denver, she found herself working in bookstores and libraries.

She was still intent on becoming a teacher, but she shifted her sights from math to English. As the years went by and she was married, had two small daughters, was going to graduate school, and was still working in bookstores and libraries, she says, she

"woke up one morning, stared at the ceiling, and said, 'You idiot. Don't you know you've been doing what you've loved all these years? Why don't you just get on with it?'"

Meskis dropped out of graduate school and, when she and her husband ended their marriage and split their assets, she took her savings and opened a 1,000-square-foot bookstore in Parker, Colo., 20 miles southeast of Denver, in 1973. Soon she was looking for a way to close its doors and find a job. It was, she says, "a casualty of the planned community development that didn't develop." Without a community around her, she knew her little bookstore couldn't succeed.

She learned that the Tattered Cover, a 3-year-old store in the Cherry Creek area of east Denver, was for sale, and she thought it offered good potential. "I borrowed money from absolutely



PHOTO: T. MICHAEL KEZA

Making people feel comfortable and unpressured in Denver's Tattered Cover Book Store is the aim of owner Joyce Meskis.

place. In addition to sofas and easy chairs, the warmth of wood is everywhere—in the railings of the stairs that lead to each floor and in the bookshelves themselves. In the children's section there are rocking chairs, and in the religion department, church pews. The restrooms—men's as well as women's—even have baby-changing tables.

While putting books and people together is her most obvious goal, Meskis aims at presenting the widest possible selection to a diverse community of readers. "We want to do it ethically, comfortably, and profitably, because that's important to making it all happen," she adds.

Meskis, who turns 50 this month, reflects on what, as a girl, she thought life would be like when she grew up. She wanted to be a mathematics teacher at the university level. And in a voice so calm and soothing that her humor takes you by

everyone I could lay the touch on," she says. She took over in 1974 with one other employee and a total of 950 square feet of space, expanded seven times, moved to larger quarters twice, and ended up in the present location across from the upscale Cherry Creek Mall in 1986. (Each time the Tattered Cover moved, so many customers asked to help that the store posted a sign-up sheet.)

Meskis leases the 50,000-square-foot building that houses the store and some office space. But corporate headquarters, shipping and receiving, and other support activities are located in a 35,000-square-foot warehouse that Meskis owns in downtown Denver. Her staff of 320 expands to 350 at Christmastime.

Meskis won't reveal annual revenues, but the Tattered Cover sells 2 million books a year at prices of \$1 for bargain books to \$2,500 for a multivolume set of the *Oxford English Dictionary*.

While the store specializes in children's books, poetry, travel, cooking, fiction, and psychology, readers can find almost anything their hearts desire. "It's just a great library," said Grant Baird, 25, an independent filmmaker. He had dropped in to pick up the copy of the *Lifetime Encyclopedia of Letters* that he had ordered, and he had stopped in the film section to leaf through a production manual.

The Tattered Cover specially orders 350 to 450 books a day for its customers. Noting that it lists more than 9,000 publishers on its computer system and that the accounts-payable department issues more than 1,500 checks a month for amounts from \$1.50 to \$150,000, Meskis says, "It's a business that's sweating the details."

Author appearances (sometimes more than 20 a month, ranging from mystery writer Dick Francis to photographer

Annie Leibovitz), weekly poetry readings, and special events such as the Tattered Cover's annual Halloween story contest make up some of the store's efforts to attract a wide variety of readers. Meskis is staunchly opposed to censorship, and the store has sponsored in-house programs on First Amendment rights.

The company also puts out an impressive array of publications, including one newsletter highlighting new books that

with information about the financial workings of the store and the successes and the problems and doesn't try to keep this all under cover, so [employees are] quite aware of how the store is doing and what needs to be done to make it better," says Margaret Maupin, a buyer who has worked for the Tattered Cover for 10 years. Meskis trusts everyone, Maupin adds, "and therefore, we all trust her."

Meskis puts in 60 to 100 hours a week at work, depending on the season. "Book selling is not just a job," she says. "It's a way of life."

As the Tattered Cover has grown, so has Meskis' influence on her industry. She has been president of the 8,300-member American Booksellers Association (ABA) since 1990 and has been using that forum to push the industry to upgrade operations. "Our distribution is just coming out of the dark ages," she says with a laugh. But her main goal is making books more significant in people's lives.

ABA Executive Director Bernard Rath says Meskis has influenced the trend by book chains to open larger-than-usual "superstores," and hers was one of the earlier major stores to install a computer system. "I would say that she probably blazed the trail in the idea of having a big bookstore with lots of service and lots of technology," he says.

Despite the recession, bookstores posted an estimated 8 percent sales growth in 1991 over the previous year, and the Tattered Cover's growth rate exceeded the industry average.

No doubt the passion that Meskis injects into sound business practice has contributed to the Tattered Cover's success. Meskis says determinedly, "As long as there's one more person out there who's interested in reading one more book and can get it with our help, we will be a part of their reading lives." **MB**



PHOTO: T. MICHAEL KEZA

Customers have their pick of 155,000 titles at the Tattered Cover, a 40,000-square-foot bookstore that's just like home.

are not best sellers and another devoted to business books.

Meskis is uneasy talking about herself as a leader. She is more inclined to give credit to others, such as her employees, who, she says, "have given their care, their energy, their passion for the book, and have done so in a way that has been well-received by the reading community." But she will say that, as a manager, she gives employees as much autonomy as possible so they take on "ownership" of their jobs, moving the work forward on their own and enjoying the gratification that comes with doing a job well. She says she then must "network it all together so that we're all seeing the same vision and getting to the same place."

"She's very upfront [with employees]

book selling "Tattered Cover style" (be personal and trusting), discusses customer service, and talks about how to cope with difficult situations in dealing with customers and working with other employees.

Subsequently, employees examine the details of each department, bone up on answers to questions commonly asked by customers, learn how to use references and other resources, and view films and videos on customer service.

The Tattered Cover emphasizes building trust with customers because that in turn creates customer support. It is

company policy to accept personal checks—even out-of-town checks—without asking for identification, and employees are taught how to respond to customers' surprise. When a customer asks, "Don't you get any bad checks?" an employee learns to say something like, "Yes, we get the occasional bad check, but it's usually a bookkeeping error and is quickly rectified."

Even part-time and temporary employees are fully trained. Says Sharon Hill, a part-time employee in the children's section: "I was totally impressed by the fact that [Meskis] was there on that first day."

Employee Training, Tattered Cover Style

Joyce Meskis, owner of the Tattered Cover Book Store, believes employee training is so important that she herself conducts the first day of all new employees' initial two-week training program.

Training is done in "classes." Meskis covers the usual paperwork of a new job, leads a tour of the business, reviews the store's history, presents the philosophy of

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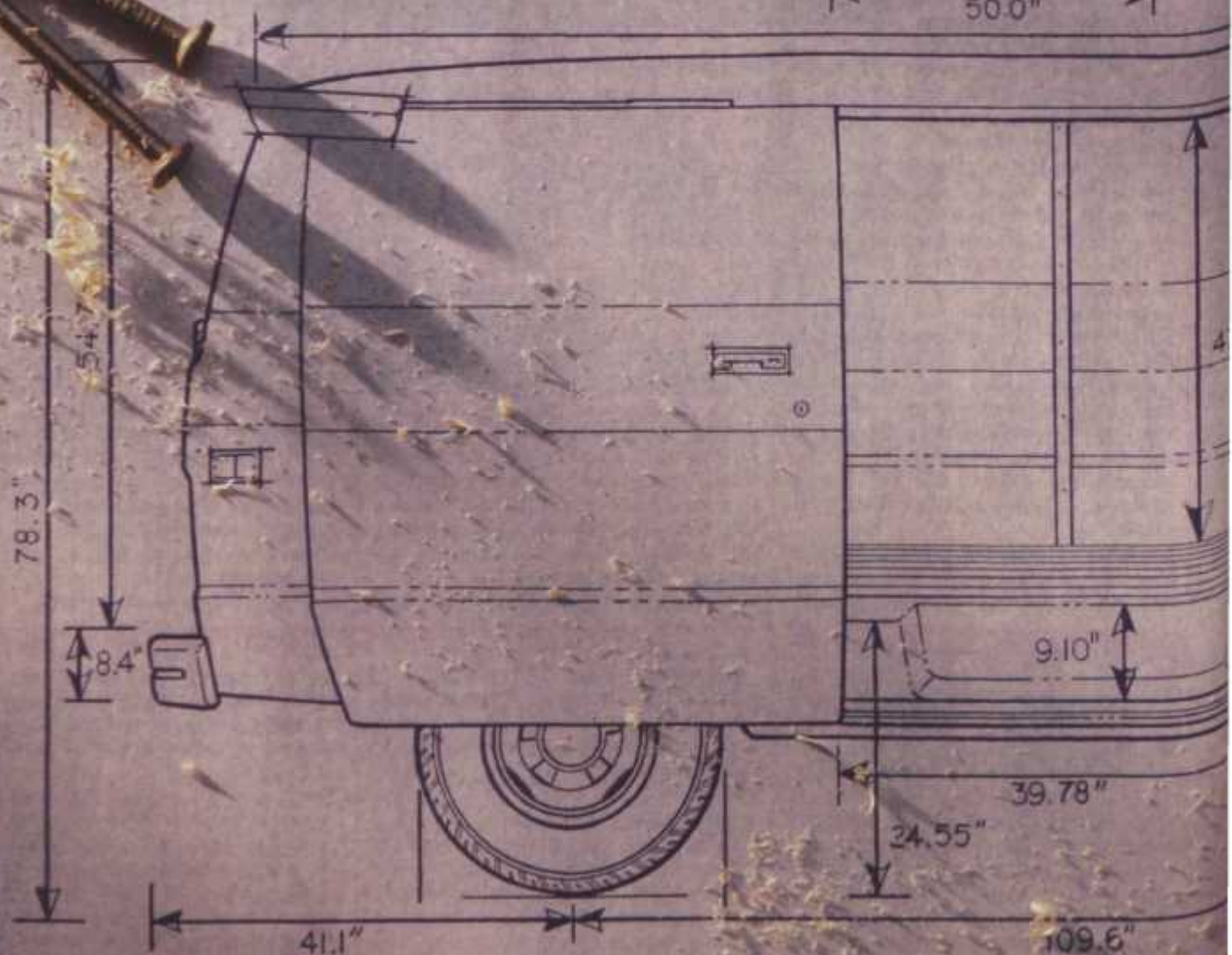
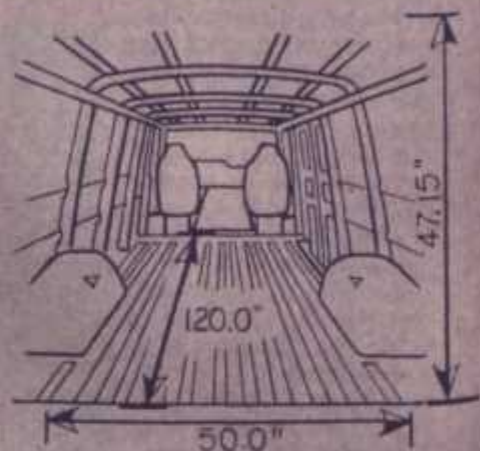


Figure 1

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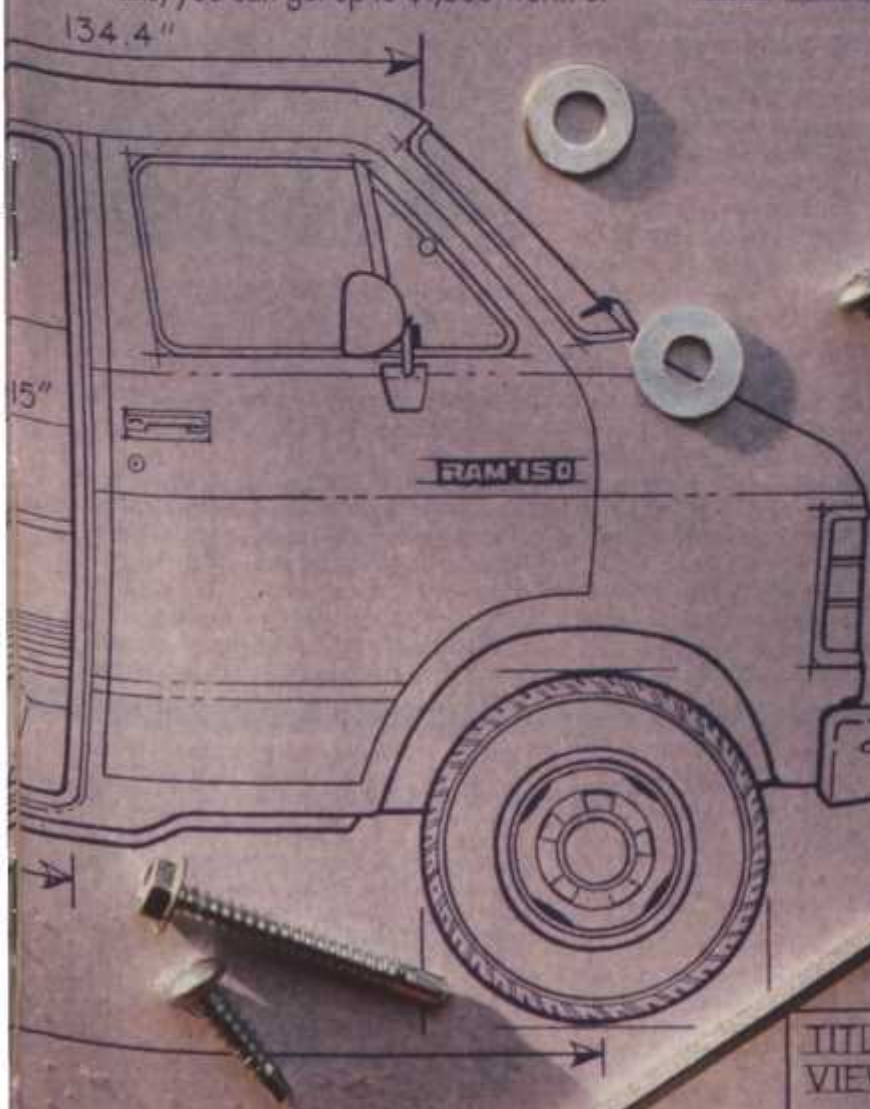
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They Know What It Takes

By Michael Barrier

Harlow Fullwood Jr. spent almost 24 years as a Baltimore police officer—a career that he found highly rewarding. He devoted many off-duty hours to the community. But as his children approached college age, Fullwood grew concerned about what kind of education he could afford for them.

Then, in 1984, a neighbor called his attention to a new effort by the Kentucky Fried Chicken chain (now called KFC) to recruit minority franchisees and suggested Fullwood apply for a franchise.

He did, even though the odds against his getting one were large. He lacked both business experience and money—and KFC expected both from its franchisees. But he had evidence of his standing in the community, including press clippings and glowing recommendations from the governor of Maryland, a congressman, and members of the Baltimore City Council.

KFC decided to risk backing Fullwood. He got the chance to remodel a defunct fish-and-chips shop in suburban Parkville into a KFC store. Then Fullwood put his people skills to work. Recruiting new officers had been part of his job with the Baltimore police force, and now he recruited customers—standing at the door to greet everyone who came in, and carrying elderly customers' bags of chicken to their cars. He recruited loyal employees, too, by offering generous benefits and promoting from within.

Fullwood didn't take a paycheck for a year and a half. But he can afford to take one now. He owns four KFC stores in the Baltimore area; their annual sales total about \$3.3 million. He employs more than

70 people. KFC has honored him often.

Fullwood received another honor this year: His company, Fullwood Foods, was singled out as a Blue Chip Enterprise. It is one of almost 200 companies across the country to be given that title in the second year of a competition sponsored by Connecticut Mutual Life Insurance Co., the U.S. Chamber of Commerce, and *Nation's Business*.

Connecticut Mutual initiated the Blue Chip program two years ago, with the aim of helping small businesses learn from one another's experiences.

As the application form states, the program seeks to locate "companies which have already demonstrated an ability to meet competitive challenges, weather the cyclical nature of business, creatively realize opportunities, and overcome adversity." The program then packages "their case histories of resource management to share with small businesses everywhere" with the aid of participating local and state chambers of commerce.

Applications for the second year of the program were accepted last fall. Then judging began by panels of experts for each state. Each state's judges could designate as many as four Blue Chip Enterprises. The top designee in each state, the District of Columbia, and Puerto Rico formed the group of 52 companies from which the four national designees were chosen. These national designees were honored Feb. 24 at the U.S. Chamber's National Business Action Rally in Washington, D.C.

Here are examples of difficulties sur-



PHOTO: T. MICHAEL KELSA

Maryland Blue Chip designee Harlow Fullwood Jr., right, with anchor

mounted by representative firms of the nearly 200 chosen as state designees:

Government Action. Mr. King, a Birmingham, Ala., furniture company that offered generous credit terms—and whose collections therefore badly lagged sales—learned that the 1986 Tax Reform Act might put it out of business, by requiring it to switch from cash to accrual accounting. It survived by (1) tightening

Following are the Blue Chip Enterprise companies for 1992. The company chosen in each state for the national judging is listed first. The nature of the business is described when it is not evident from the company's name.

ALABAMA

Mr. King, Inc. (retail furniture, appliances, and jewelry); Happy Rents, Inc.; AmChex Collection Services, Birmingham; Metal Samples Co. Inc.; Munford; Alabama Car Rental, Inc.; Birmingham; Piggly Wiggly (grocery); Daleville.

ALASKA

Gaston & Associates, Inc. (general construction); Anchorage; Musk Ox Producers' Co-operative (hand-knit accessories); Anchorage; Don Abel Building Supply, Inc.; Juneau.

ARIZONA

The DELSTAR Group (specialty gifts, accessories, and fashion apparel); Scottsdale; New Concepts Employment Service, Inc.; Casa Grande; Terri's Consignment World, Inc.; Mesa; Arizona Sun Products, Inc. (skin-care products, accessories, clothing); Scottsdale.

ARKANSAS

Security Airport Parking, Inc.; Little Rock; Harry G. Barr Co. (fenestration products); Fort Smith; Spurling Foe and Burglar Alarm Co., Inc.; Fort Smith; Master Printing Co., Inc.; Jonesboro.

CALIFORNIA

National Customer Engineering (computer maintenance/repair); San Diego; Prisma Con-

struction (residential disaster restoration); North Hollywood; Mail Boxes Etc.; San Diego; Jontee Accessories, Oakland.

COLORADO

DeBourgh Manufacturing Co. (welded steel locks); La Junta; Snider, Hayes, Hurd, Inc. (sales and marketing services for grocery-industry manufacturers); Denver; Professional Cleaning Network, Inc. Denver; DTM Products, Inc. (injection molded plastic parts); Boulder.

CONNECTICUT

MicroGeneSys, Inc. (biopharmaceutical manufacturing); Meriden; Yarde Metals, Inc. (wholesale distributor); Bristol; Fish Family Farm Inc. (dairy products); Bolton; Cronin & Co., Inc. (marketing); Glastonbury.

This year's Blue Chip Enterprises prove that even though other things may change, the keys to business success do not.



Barton Eckert on the set of "First Business," which debuts April 6.

its credit standards; (2) opening Happy Rents, a rent-to-own store, so that rental payments counted as income only as they were received; and (3) using its expertise in collections to open a third company, AmChex Collection Services, which now collects for many other creditors.

Formidable Competition. Cambex Corp., a Waltham, Mass., firm, makes memory and storage systems that en-

hance the efficiency of IBM mainframe computers. Its biggest competitor: IBM itself. Cambex has survived and prospered by (1) keeping pace with IBM's own technological advances; (2) providing intensive service support; and (3) matching IBM's price reductions while relying on tight cost controls and low overhead to keep it profitable.

Economic Disaster. Den-Con Tool Co., an Oklahoma City manufacturer of oil-drilling equipment, saw its sales plunge 90 percent from 1981 to 1982, as the energy industry in the Southwest all but collapsed. The firm survived by (1) expanding into international markets aggressively; (2) allying itself for marketing purposes with two companies manufacturing product lines complementary to its own; and (3) controlling inventories tightly.

Natural Disaster. Entek Corp., a Longview, Wash., heating and air-conditioning contractor, found its business all but wiped out by the 1980 eruption of Mount St. Helens. The company fought back by (1) aggressively seeking out projects, including maintenance contracts, that it might have passed up before; (2) expanding into the Vancouver, Wash., market, 45 miles away; and (3) instituting new training programs to enhance the quality of its work.

Timothy Maurer, director of the Blue Chip Enterprise Initiative for Connecticut Mutual, says that after two years, a pattern is emerging clearly: "Products

change, markets change, the competitive environment changes, cash flow tightens, technology advances—but quality people not only respond to change but bend it to the company's advantage."

The U.S. Chamber's relationship with Connecticut Mutual further solidified earlier this year, when the two organizations announced the return to the air of "First Business." The half-hour morning newscast will be broadcast each weekday on the USA Network, starting April 6.

"First Business," produced by the Chamber, aired as a syndicated program until September 1991; the new version will be presented jointly by the Chamber and Connecticut Mutual.

In the words of Chamber President Richard L. Leshner, "First Business" on its return "will focus heavily on the issues and concerns of small business and entrepreneurs." Among the new "First Business" features will be segments devoted to the 52 Blue Chip designees from the states, the District of Columbia, and Puerto Rico. The first four segments to be aired will examine the National Blue Chip Enterprises.

As in the first year of the Blue Chip program, the TV segments will be gathered into four videotapes and made available to small businesses everywhere through state and local chambers. In addition, the case histories of all the Blue Chip Enterprises will be presented in a widely distributed book.

In these ways, and in others, the Blue Chip program is fulfilling its goal, Connecticut Mutual's Maurer says: "To recognize the best of America's people." ■

DELAWARE

Dawn Aeronautics, Inc., New Castle; Dover Products Co., Inc. (recycling of vegetable oils), Dover; The Crowell Corp. (packaging materials), Newport; Penn Fibre, Greenwood.

DISTRICT OF COLUMBIA

Analysas Corp. (administrative support services); I.T.S., Inc. (document retrieval); The HAIRLOX Co., Inc.

FLORIDA

Aquathin (water-purification systems), Fort Lauderdale; North East Florida Enterprises, Inc. (insulation), Jacksonville; Paul W. Davis Systems, Inc. (franchisor), Jacksonville; Michael A. Zerivitz, D.D.S., P.A., Deltona.

GEORGIA

Financial Service Corp., Marietta; Prodigy Child Development Centers, Inc., Atlanta; Anitox Corp. (animal-feed additives), Buford; C & S Paving, Inc., Marietta.

HAWAII

Lion Coffee; Sonitrol of Hawaii, Inc. (security systems); and Color Dynamics, Inc. (construction), all of Honolulu.

IDaho

Northwest Distribution Services, Inc. (wholesale groceries), Caldwell; Moss Greenhouses, Inc., Jerome; Peasley Transfer & Storage Co., Boise; Image National, Inc. (identification signage), Boise.

ILLINOIS

Reliable Cartage Co., Burbank; Super Wash (automobiles), Morrison; Thomas Interior Systems, Inc. (reseller of office furnishings), Elmhurst; Lynn Marketing Group, Inc., River Forest.

INDIANA

DynAmerica, Inc. (metal stampings), Muncie; Domino, Inc. (engineering/marketing), Fort Wayne; Re-Quest-A-Temp Temporaries, Jeffersonville; Engelking Inc. (molds), Columbus.

IOWA

Oster Communications, Inc. (publishing), Cedar Falls; Porter's Camera Store, Inc., Cedar Falls; Iowa Laser Technology, Inc., Cedar Falls; Winninger Resource Group Inc. (learning design), Waterloo.

ENTERPRISE

KANSAS

S T Enterprises Limited (communications), Dodge City; Big Bob's Used Carpet Shops of America, Inc., Kansas City; Jet Tech, Inc. (waste-water treatment systems), Edwardsville; B&D Instruments & Avionics, Inc. (aircraft instruments), Valley Center.

KENTUCKY

David Wood Appliance and TV, Inc., Mayfield; Intecon—A Division of Business Office Supply Co., Inc. (interior design/contract furniture), Louisville; Chemical & Industrial Engineering, Inc., Louisville; OUR designs (specialty items for emergency workers), Covington.

LOUISIANA

LEEVA Shipyards, Inc., Jannings; Royce Instrument Corp. (water quality), New Orleans; The Fish Net Co. (retail), Jonesville; Causey's Pharmacy, Inc., Natchitochas.

MAINE

Holt, Hughes & Stannell, Inc. (marketing/communications); Dunhill Temporary Systems of Maine; and Printmedia (typesetting/production), all of Portland.

MARYLAND

Fullwood Foods, Inc. (KFC), Baltimore; Omega Enterprises (dry cleaning), Bowie; International Technology Underwriters, Inc. (INTEC), Bethesda.

MASSACHUSETTS

Cambex Corp. (computer memory and storage systems), Waltham; The Registry, Inc. (temporary workers), Wellesley; Mass. Materials Research, Inc. (metal testing), West Boylston.

MICHIGAN

Progressive Technology in Lighting, Inc., Holland; River Bend Travel, Inc., Hastings; Advance Bag & Packaging Co., Waterford; Terrascaping, Inc. (landscaping), Birch Run.

MINNESOTA

Shingobee Builders, Inc., Loretto; Larkin Industries, Inc. (stamping/embossing), St. Paul; Proex Photo, Rochester; LecTec Corp. (medical products), Minnetonka.

MISSISSIPPI

Jubilations, Inc. (cheesecake bakery), Columbus; M.M.I. of Mississippi (medical furniture), Crystal Springs; Davidson & Jordan Assoc., Inc. (audit freight bills), Corinth.

MISSOURI

Devine Lighting, Inc., North Kansas City; Colt Safety, Inc. (industrial safety products), St. Louis; BookMasters, Inc. (offset printing), Columbia; Mid-Town IGA (grocery), St. Charles.

MONTANA

Video Lottery Consultants (video lottery terminals), Bozeman; Schnee's Boots and Shoes, Bozeman; Banana Bay Bar and Grill, Bozeman; Butler Creek Corp. (accessories for photographic/music industries), Belgrade.

NEBRASKA

Precision Industries, Inc. (distributor of industrial components), and Data Transmission Network (electronic information), both of Omaha.

NEVADA

The Clarkson Co. (valves), Sparks; A-1 Office Machine Co. (retail/service), and PDQ Printing, Inc., both of Las Vegas.



NEW HAMPSHIRE

Kenda Systems, Inc. (computer consulting), Salem; Village Book Store, Inc., Littleton; Schaefer Mortgage Corp., Londonderry; DisCom Corp. (industrial diaphragms), Amherst.

NEW JERSEY

Rosario, Bailets & Talamo, Inc. (marketing communications), Cherry Hill; Computer Consulting Services Corp., Montvale; Fifth Dimension Inc. (switches and relays), Trenton; Advanced Video Services, Inc. (media production), Cedar Grove.

NEW MEXICO

Starlight Publishing, Inc., Albuquerque; Walton Chapman Builders Co., Santa Fe; Britton Construction, Inc., Albuquerque.

NEW YORK

Cortland Line Co., Inc., Cortland; K.J. Electric, Syracuse; The Delmar Bootery, Inc., Albany; Ice Cream Works, Corning.

NORTH CAROLINA

Alphatronix, Inc. (erasable optical-storage systems), Research Triangle Park; Catawba Transportation Group (truck leasing), Claremont; Executive Temporaries, Inc., Cary; R & E Electronics, Inc. (telecommunications-systems integrator), Wilmington.

NORTH DAKOTA

Woody's Performance Horse Feed Products, Dickinson; Dacotah Paper Co., and Innovative Communication Systems, Inc. (computer software), both of Fargo; Agseo, Inc. (agricultural chemicals), Grand Forks.

OHIO

MED Center, Inc. (health care), Solon; Forte Industries (distributor of material-handling equipment), Cincinnati; Ferco Tech Corp. (aircraft engine parts), Franklin; Quantum Technologies, Inc. (research/engineering), Twinsburg.

OKLAHOMA

Den-Con Tool Co. (oil drill rig equipment); Viekey's Original Sundance Co. (aerobic fitness classes); Laid Back Enterprises, Inc. (novelty gift items); and Price, Edwards, Henderson & Co. (commercial real-estate services), all of Oklahoma City.

OREGON

Ace Home Center (retail), Tangent; Electronic Technical Publishing Services Co., Portland; Thompson-McDougall (heavy construction), Portland; Western Helicopter Services, Inc., Newbury.

PENNSYLVANIA

Tren Tech Inc. (bar-code systems integration), York; Hotel Magee, Inc., and Columbia County Farmers National Bank, both of Bloomsburg; Yeager's Fuel, Inc. (home heating oil), Allentown.

PUERTO RICO

Compact Disc Technologies Corp. (legal books on CD-ROM), Hato Rey.

RHODE ISLAND

The Almon Co./Claffin Co. (distributor of health-care products), East Providence; Wickford Gourmet Foods, Wickford; Ocean State International, Inc. (bicycles), Woonsocket; Aquidneck Systems International, Inc. (optical disk storage subsystems), North Kingstown.

SOUTH CAROLINA

W. H. Hicks & Son (retail feed and seed), Hartselle.

SOUTH DAKOTA

Rosco Manufacturing Co. (road-maintenance equipment), Madison; KMIT Radio, Mitchell Broadcasting Ltd., Mitchell; Stata Drug and Jewelry Inc., Sioux Falls; Daktronics, Inc., Brookings.

TENNESSEE

Advanced Integrated Technology, Inc. (computer systems integration), Columbia; Lunar Productions, Inc. (corporate communications consulting), Memphis; John H. Allen Co., Inc. (general contractor), Jackson; Argosy Network Corp. (health care), Nashville.

TEXAS

Supervan, Inc. (ground transportation), San Antonio; ESM International Inc. (electronic color-sorting machines), Houston; Toner Cartridge Services, Richardson; Nicol Scales, Inc. (distributor of weighing systems), Dallas.

UTAH

The Pro Image, Inc. (retail), Bountiful; Comics Utah (retail), Salt Lake City; Fort Knox Security Products (home safes), Orem; Swingline (steel suspension for chairs), Provo.

VERMONT

Patrick's Food Service, South Burlington; Vermont Pub & Brewery, Burlington; Shark Communications, Inc. (advertising and design), Burlington; S.B. Electronics Inc. (film capacitors), Barre.

VIRGINIA

Blueprint Automation, Inc. (case-packing machinery), Richmond; News USA (publicity service), Arlington; World's Best Cheesecake, Inc., Fairfax; MVM, Inc. (security/investigative services), Falls Church.

WASHINGTON

Entek Corp. (contracting), Longview; Great Harvest Bread Co., Seattle; Johnson Postman (distributor/manufacturer wood windows, columns), Tacoma; Fourgen Software (development/manufacture), Edmonds.

WEST VIRGINIA

B Machine Products (job machine shop), Parkersburg; Bob Robinson Oldsmobile Cadillac Toyota Inc., Wheeling; Aim Communications, Inc. (marketing/creative design), Charleston; MountainNet, Inc. (computer information service), Dellslow.

WISCONSIN

Piggy's On Front (restaurant), La Crosse; Stevens Point Brewery, Stevens Point; Pandi's In Bayside (restaurant), Milwaukee; Exel Inns of America (hotel/motel management), Madison.

WYOMING

Gillette Office Supply & Equipment, Inc., and North Ridge Discount Liquors, Inc., both of Laramie.

For small business to compete today, it takes initiative. Blue Chip Enterprise Initiative

Small business is the engine that drives the American economy.

Today our nation's small businesses are America's new Blue Chip companies, creating jobs and providing the innovation our nation needs to compete.



More important, they inspire others.

They have been willing to share their experience, successes, even their mistakes. They believe, as we do, that all of America will benefit from this exchange.

Connecticut Mutual Life Insurance Company, the U.S. Chamber of Commerce, and Nation's Business salute the companies that participated in The Blue Chip Enterprise Initiative, now in its third year.

Their Blue Chip Enterprise Award applications tell compelling stories of challenge and commitment, of overcoming adversity and emerging stronger. And those honored as this year's Blue Chip Enterprises inspire us with their exceptional resourcefulness, resilience and determination.

For this is no mere awards program. With the support of 200 volunteer judges and hundreds of participating Chambers of Commerce, the Blue Chip Enterprise Initiative is an ongoing effort to extend the quality and competitiveness of American business, by sharing the insights gained through the award search with chamber members throughout the year.

We salute the Blue Chip Enterprise designees. Their initiative is America's inspiration.

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LEGISLATION

How To Avoid Discrimination Suits

By Mary McElveen

The courts must still resolve major questions on how the Civil Rights Act of 1991 will apply in specific job-discrimination cases. But one thing is clear: Company owners and managers must be more careful than ever in hiring, firing, and promoting employees.

"The chance that your company's discrimination policy will be tested in 1992 has increased significantly as a result of the new law," says Mark A. de Bernardo, managing partner for the Washington, D.C., office of Littler, Mendelson, Fastiff & Tichy, the country's largest labor-law firm. "And you can be sure that all the recent publicity about job discrimination and sexual harassment has not been lost on plaintiffs' attorneys."

Signed by President Bush Nov. 21, the Civil Rights Act of 1991 extends the right to a jury trial and punitive and expanded compensatory damages to victims of intentional job discrimination.

It expands remedies available to victims by amending Title VII of the Civil Rights Act of 1964, which outlawed em-

ployment discrimination based on race, color, religion, sex, and national origin; the Americans with Disabilities Act of 1990, which extended employment protections to the disabled; and other laws.

One of the most important issues yet to be resolved by the courts is whether the expanded rights will apply in discrimination cases pending when the law was enacted.

On Dec. 30, the U.S. Equal Employment Opportunity Commission—the nation's chief civil-rights enforcement agency—announced that the statute would not apply retroactively, but that decision has already been challenged.

Aside from such unresolved issues, the new law clearly gives disgruntled workers significant new incentives to sue their employers over discrimination claims.

"The right to a jury trial alone is a big incentive," says Nancy Fulco, human-resources attorney for the U.S. Chamber of Commerce.

A disgruntled employee has a much better chance of winning a case heard by a jury than a judge, Fulco says, because

These tips can help you comply with the new civil-rights law and avoid employee lawsuits.

members of a jury would more likely be swayed by a plaintiff's appeals for sympathy than would a judge experienced in hearing such cases.

The potential to receive greater damage awards is another strong incentive for employees to sue.

Previously, under Title VII and the disabilities law, if an employee won a job-discrimination case related to sex, religion, national origin, or disability, the worker could recover only lost wages, interest, and the cost of the litigation.

The individual would also be entitled to job reinstatement if he or she had been fired or to a promotion if discrimination had been found in the denial of a promotion.

Now a jury may award compensatory damages for "future pecuniary losses, emotional pain, suffering, inconvenience, mental anguish, loss of enjoyment of life, and other nonpecuniary losses," plus punitive damages.

Punitive damages previously were available only to victims of racial or ethnic discrimination under a law that prohib-

The right to a jury trial will be a big incentive for disgruntled workers to sue their employers.

PHOTO: SAM FICKERELL—FOCUS INC.



ited those types of discrimination in making and enforcing contracts.

The level at which punitive damages are available under the new law is based on the number of employees of the company sued. Congress set caps on these damages at \$50,000 for firms with 15 to 100 employees; \$100,000 for 101 to 200 employees; \$200,000 for 201 to 500; and \$300,000 for firms with more than 500 workers.

However, warns Zachary D. Fasman, a partner in the Washington, D.C., office of Paul, Hastings, Janofsky & Walker, a company might be liable, for example, for three times the capped amount if the company is found guilty of three types of discrimination. In addition, the maximum punitive damages are available to each plaintiff in a case, so if five employees bring suit and win, each of the five would be eligible for the maximum damages allowed.

The Civil Rights Act of 1991 does not apply to firms with fewer than 15 employees. But, says Fulco, "If you want to do what's right and be competitive in attracting workers and customers, you should strive to comply nonetheless."

Most labor lawyers and business groups view the limits on damages as temporary at best. Bills have already been introduced in Congress to raise the limits in some cases and remove them in others. Should any of these bills pass, employees' incentives to sue will be even greater.

While the new law has increased the likelihood of job-discrimination suits, there are some basic tips that companies can follow to comply with the law and protect themselves against frivolous complaints.

"The bottom line is that you should be intolerant of discrimination and make that known throughout your company," says de Bernardo. "Take any possible infraction seriously." The seriousness with which you address a complaint can help discourage frivolous suits, he says.

Fasman suggests that employers demonstrate even greater concern now for "doing what is morally right as well as what is legally correct" in hiring, firing, and promoting workers. "Good employee relations is of heightened importance where employees have more of an incentive to sue," he says.

In working to improve employee relations, employers should "use common sense," says Michael F. Marino, head of the Washington, D.C., labor- and employment-law group for Reed Smith Shaw & McClay.

Employers should have a written policy establishing that discrimination will not be tolerated, and the policy should "ensure that all employees and complaints are treated consistently," Marino says.



PHOTO: SHOOTING EMBEL—THE STOCK MARKET

Employers should keep good files on problems with employees.

If your company already has a written and well-communicated policy, it should be reviewed and updated, de Bernardo advises.

Your anti-discrimination policy should include an established procedure for employees to follow in bringing a discrimination complaint to the company's attention.

The procedure should include the name of the person within the company who has been designated to investigate complaints and an outline of how complaints will be

reviewed and investigated. Companies should act promptly in addressing complaints.

According to Marino, "Every company should have what we call a termination czar," a person responsible for conducting internal investigations. "The purpose is to ensure that internal investigations and disciplinary actions are handled consistently."

De Bernardo says employers should take special care in naming that individual. "This person could end up being your star witness in court," he says, "so make sure he or she is articulate and careful."

Further, as soon as an employee raises a discrimination concern or complaint, the worker should be asked to complete a written questionnaire, which your company should have ready and on file.

One question on the form, de Bernardo suggests, should be: "What do you want the company to do about your complaint?"

The written answer could help protect the company if it takes the suggested action and the employee later claims that the company did not go far enough in pursuing the complaint.

It's also a good idea to establish a disciplinary review board consisting of employees and managers to help ensure that complaints are treated consistently, Marino says.

Once policies are established, employ-

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LEGISLATION

ers should distribute them to all employees and post the policies after distribution.

The policy is important in both its message and tone, Marino says. It should be clear, fair, and serious.

It should also emphasize that there will be no retaliation against a worker who brings a complaint or participates in an investigation, says de Bernardo. All participants should also be made aware of the results of the investigation.

When a complaint arises or an incident occurs, the employer, supervisor, or manager should make a list immediately of anyone who might be able to provide information about what happened. Then, when the investigation begins, the person conducting it will have a good starting point related to employees who might prove helpful.

Because any flaw in a policy could cause an employer trouble later, it's a good idea for employers to have their policies reviewed by an attorney. Another option is to contact business organizations that may have a model policy your company could follow.

Advises de Bernardo: "You need to take this law seriously at all times. There is no such thing as a frivolous complaint."

"Even if somebody comes to you and says he or she feels strange even raising a discrimination concern and doesn't want any action taken, it could come back to haunt you later if you don't pursue it."

That person could later file a discrimination suit against the company, says de Bernardo, and the employee could say he or she notified the firm about the discriminatory practice but the company took no action.

At the same time, you don't want to go overboard and suggest that there may have been discrimination if a worker experiences an adverse action but has not raised a discrimination concern, according to de Bernardo. "You don't want to plant a seed" for a suit. "You don't want to ask a lot of questions about possible discrimination, for example, when a worker is on his way out the door."

In hiring and promotions, "make decisions based on merit and ability," Marino advises. "Don't not hire a woman with children, for instance, because you're afraid she might have to be absent to take care of the children when they're sick. Establish policies to take care of potential problems like absenteeism. Have a written absenteeism policy, and make sure your employees know what it is."

If a worker violates a written and

well-communicated company policy, such as one on absenteeism, then there is a ground for disciplinary action, Marino notes.

An action based on a company policy is also less likely to be misconstrued as discrimination, and the policy will help protect the company if it winds up in court in a discrimination case.

For similar reasons, every position in a company should have a written job description. "Personnel records that were once good ideas are now great ideas," de Bernardo says. "And now more than ever, your personnel manager needs to be highly competent."

The new civil-rights law and the Americans with Disabilities Act are just two recent examples of why that is so, he notes.

In cases where discipline may be warranted against an employee, Marino advises, managers should not take such action "on the spot." If a worker starts a fight, for example, it's better to send the person home until an internal investigation can be conducted, rather than immediately fire the worker.

It is also critical for employers to keep files on

work-related problems. "I can't tell you how many times I've had clients tell me an employee has been a problem for six months but they have no file," says Marino.

Today's litigious environment requires that a "paper backup" be kept, he says, and employers should make sure every manager and supervisor understands and follows this internal rule. "If supervisors or managers are negligent in implementing it, it's difficult to go back and establish a record," Marino says. Such files can serve as valuable records if a complaint is filed.

Based on recent trends in employment litigation, the chances that a job-discrimination claim may relate to an employee's termination are good. In 1966, charges of discrimination in hiring filed with the Equal Employment Opportunity Commission outnumbered termination claims by 50 percent, according to the law firm of Jones, Day, Reavis & Pogue. But by 1985, discharge claims outnumbered hiring claims by 6-to-1.

Whatever the employment practice, says the Chamber's Fulco, it's best for a company to put the effort up front to comply with the new law and prevent discrimination, rather than face even greater effort and much greater expense later if a discrimination suit is filed. **EB**

Good employee relations is of heightened importance where employees have more of an incentive to sue.

—Zachary D. Fasman



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MANAGING

Total Quality By Satellite

Owners and managers of U.S. businesses will have a unique opportunity this spring to learn proven techniques of total quality management from some of the world's leading experts.

The U.S. Chamber of Commerce and The George Washington University, in Washington, D.C., will offer the training to the home communities of program participants via the G W National Satellite Network. The video conferences will be interactive, with speakers in Washington responding to questions from viewers throughout the country.

"The five programs in this series will enable business people across the country to gain a solid grounding in the quality-management methods that can boost productivity and profitability," said Richard L. Lesher, president of the U.S. Chamber. "The satellite series is a rare opportunity to obtain conveniently and economically both a basic and an advanced understanding of TQM and how to apply it for maximum results."

State and local chambers of commerce are arranging for reception of the telecasts at strategic locations, where representatives of businesses in the respective areas will watch.

Lesher noted that the video-conference project marks the beginning of a major new U.S. Chamber initiative to provide a full range of education and training in the principles and techniques of total quality management.

Management experts view TQM as the key to survival in an increasingly competitive business environment, the Chamber leader said. The organization's plans for additional activities in this area will be announced shortly.

Here are details of the five telecasts:

March 31: A View From The Real World

This presentation is a step-by-step guide that any company can use to improve its competitive position through total quality management. The information is designed for companies beginning or already involved in the TQM process. In addition, three senior executives from leading companies will describe their experiences in implementing successful TQM programs.

The speakers are Joseph M. Juran, founder and chairman emeritus of Juran Institute, Inc., and A. Blanton Godfrey,



PHOTO: SMAR HIRSCHFELD-FOLIO, INC.

Reception of the satellite-transmitted video conferences on TQM will be arranged by local chambers, and viewers will be able to question speakers.

the institute's current chairman and chief executive officer.

April 14: Teamwork

This telecast covers the critical role of teamwork in applying the principles and methods of TQM. Topics include the creation and integration of teams, the fostering of collaboration, the elimination of fear and other barriers, and the organizational spirit conducive to quality.

The speaker is Peter R. Scholtes, a senior management consultant with Joiner Associates, Inc., and a specialist in organization change, team development, and training. He is a practitioner of the quality and productivity method pioneered by W. Edwards Deming, whose work is described below.

April 21: Laying The Groundwork

This presentation will provide the basics for development of a knowledge system to improve the Western world's economic position. The system would lay the groundwork for transformation from the present style of management in industry, education, and government to a system of optimization. Beneficiaries would include shareholders, producers, customers, carriers, shippers, employees, the environment, and communities.

The speaker will be W. Edwards Deming, whose application of total quality management to Japanese industry is

Video conferences will offer insights from internationally recognized experts on total quality management.

credited with being a major factor in Japan's rise from the devastation of World War II to become an economic superpower. The Deming Prize recognizes advances in quality management and was instituted in his honor by the Union of Japanese Scientists and Engineers.

April 28: Managing For The 21st Century

This telecast takes up the concept of "completeness"—the need to manage organizations as a whole to meet the challenges of the next century. It offers ways to develop successful relationships with employers, suppliers, and customers, and it highlights the role of quality and finance in that process.

The speaker is Philip B. Crosby, founder of Philip Crosby Associates, Inc., which he now serves as a consultant. He has gained recognition for, among other things, his challenge to conventional management.

May 7: Productivity And Belonging

Two aspects of modern management are featured in the agenda for this telecast—productivity challenges in the areas of knowledge and service, and helping displaced workers find new niches. The first-listed subject stems from the need to increase productivity in the service and knowledge fields by using approaches and policies that differ from those used in manufacturing, construction, and transportation. The second subject, helping displaced workers, was chosen because of the dramatic increase in job mobility stemming in part from mergers, acquisitions, and divestitures.

Peter F. Drucker, a leading, nationally known consultant, author, and commentator on management organization, economic/business policy, and politics, is the principal speaker.

For More Information

To learn more about how your chamber, business, or trade association can arrange reception of the telecasts for business people in your community, telephone Suzi Montes de Oca at the U.S. Chamber of Commerce, (202) 463-5921. She can also provide information on the availability of the telecasts in specific communities.

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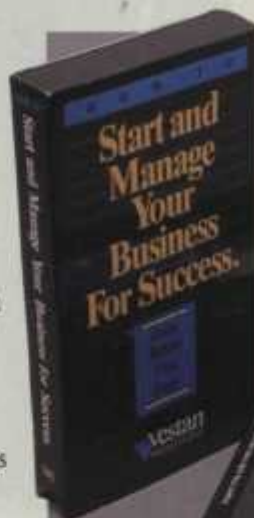
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Family Business

Coping with a new age; the need to renew strategy; a widow's inheritance of headaches.

OBSERVATIONS

Protecting One's Good Name

By Sharon Nelton

"Please help me set the record straight," a marketing executive said in a letter we received in October. The letter and an accompanying news release had gone out to editors across the country from NewAge Industries, a manufacturer of industrial metal-hardness testers and flexible plastic tubing, in Willow Grove, Pa.

The marketing executive described the unusual plight of this family firm. NewAge was a perfectly good name when

customer who calls, Baker fears another nine might just turn away. But what really pushed Baker to take action was an engineer who said, "I thought long and hard before calling," because he thought there was a link.

Baker says he doesn't know why some customers dislike the movement. "New age" is often associated with meditation, spirituality, holistic medicine, and soothing music. He voices no opinion on the movement; he says only that it has nothing to do with his firm.

NewAge's story was picked up by a number of trade publications and some newspapers. Now being designed is a new logo that Baker hopes will further help distinguish his company from the movement.

Changing the company name is not in the picture. For one thing, Baker says, it would cost "tens of thousands of dollars" to print new brochures, change the signs on company vehicles, and pay legal fees.

But he's not sorry the Baker name is not on the company door.

He likes the NewAge name. It "conjures up today" and suggests action, he says. And it's a good "umbrella" that lets the company move in different directions.

In light of his experience, what does he suggest to start-up entrepreneurs? Do a search to make sure the name you have in mind isn't offensive to potential customers—not just in English but in other languages as well, he suggests. Strive for a name that is neutral.

It's OK to use the family name, Baker says. But he cautions that if the business is sold and it retains the family name, the new owners might do something with the business that is unsettling to the original owners. In other words, while a neutral name did not protect NewAge from being overtaken by history, a family name is vulnerable to history, too.

And if NewAge is lucky, the movement will become a thing of the past, and NewAge will go on another 41 years and more.

**Almost any
company name
is vulnerable to
history.**

—Sharon Nelton



Raymond E. Baker purchased the struggling company—and its name—41 years ago. But recently, potential customers have mistakenly concluded that NewAge is part of that California-based phenomenon known as the new-age movement.

"Nothing could be further from the truth," the company news release quotes Kenneth D. Baker, NewAge's chief executive officer (and Raymond's son), as saying.

NewAge Industries, which has nearly 60 employees, is growing despite the recession. For example, it has just opened a state-of-the-art plastic-extrusion manufacturing plant in Warminster, Pa.

But Ken Baker thinks NewAge could be growing even faster. He told *Nation's Business* that a number of his sales people have received phone calls in which they were asked if the company was part of the movement. When the callers learned that NewAge was not "new age," they expressed relief. For every potential

PLANNING

Don't Be Trapped By Past Success

By John L. Ward and Craig E. Aronoff

The business was still quite profitable. Indeed, it poured forth cash. With little debt, more funds flowed as dividends.

Next-generation successors and non-family key executives offered ideas almost daily for using the cash. But the ideas were never evaluated, much less seriously considered.

Frustration at the lack of new growth strategies increased. After a series of meetings in which younger executives tried to persuade the founder to get the company out of its strategic rut, one manager said: "Our founder's brilliance is the major reason we can't change. It's tough to criticize success—but it's deadly to presume it for the future."

Many family firms are trapped by their past success. Their early strategies are so powerful and so deeply ingrained that change is all but impossible.

At the same time, we all recognize that constant change is essential for survival. Challenges to the status quo come from unpredictable and often unimaginable sources. The life of a good strategy grows shorter and shorter as technology increasingly permits competition to come from different industries or distant countries. As product life cycles grow shorter, so does the viability of a company's strategy.

Strategic renewal is increasingly important to company growth and survival. Businesses now need strategic change several times per generation, rather than every generation or two as in the past. Still, we find strategic renewal to be rare in family firms. The reason is often found in the origins of their success.

The business strategy that eventually emerges from the entrepreneurial trial-and-error period is a product of years of gestation. One business owner put it this way: "Our recipe comes from a lifetime of hands-on, personal experience. It's a sum of all I know. No one can learn what we're doing in textbooks!"

Consider a bold manager challenging the future viability of the president's strategy. On one hand, to question it could

be seen as criticizing the boss. After all, if the strategy could be improved, wouldn't the boss have already done so?

On the other hand, entrepreneurs with highly creative and successful strategies are often so charismatic that few managers would have the self-confidence to fight for dramatic change. Great respect for the boss can discourage contention.

There's another reason that strategic change is tough in successful family



ILLUSTRATION: DAVID CHEN

companies. Part of the founder's genius is to surround himself or herself with people who believe in the same things and see the world similarly. This organizational homogeneity can come from hiring practices, effective training, inspiring leadership, or even from intense loyalty.

Such homogeneity is fostered and reinforced by a deeply shared company culture, which greatly helps as the firm's insightful strategy fosters rapid growth. With everyone thinking along similar lines, the company can grow faster, and its customers will be served consistently well.

But when significant strategic change is necessary, all these great implementers are not likely to bring fresh perspectives. As one might suspect, they are the greatest living experts on the reasons for past success. The ability for them to also see a different strategic future would be at the least a coincidence—and more likely a miracle.

In short, the founder's great strategic insight and great organizational leadership usually will create blinders to the need for fundamental change. When everyone shares the same assumptions and same experience, we have a vulnerable business—even if it currently enjoys success.

Our studies of the strategic history of family firms bear this out. The founder invents a great strategy. New strategies rarely emerge until a new generation of

leadership also emerges. If potential successors eagerly champion new strategies before they are in control, painful generational conflict often ensues.

If you're a founder or a longtime leader, what can you do to avoid the trap of strategic stagnation? First, of course, recognize the tendency of any company, including yours, to stagnate. In addition, we make several suggestions:

- Depersonalize the reasons for past success. Describe them to the organization as a group insight or perhaps as a lucky break rather than "my" strategy. Preach the message that change is prerequisite to survival. Allow everyone to feel a certain discomfort with the status quo. Express frequent concerns over threats to the current way of doing business. Don't underestimate the competition.

- Encourage variety in organizational thinking. Find ways to bring new people into the organization. Champion outside experience for successors. Even consider hiring people who bring very different perspectives.

- Charge the organization with the responsibility to challenge strategic assumptions. In planning or management meetings, ask everyone to identify the critical assumptions of continued success. Ask your outside board to question your mission statement and your intended source of future growth.

- Be "nondefensive" in your thinking and communications. Encourage "what if" questions. Avoid quick answers or past justifications.

There's probably no greater challenge to a leader than to create a second strategic success during his or her lifetime. In this era of rapid change and growing aspirations, however, meeting that challenge is increasingly essential.

Critically questioning reasons for past success is vital to the process. If the leader of a family business will loudly lead the challenge to his or her own aging strategic insights, new ideas and insights will be encouraged, heard, and given the opportunity to take root.



John L. Ward, left, is the Ralph Marotta Professor of Private Enterprise at Loyola University of Chicago. Craig E. Aronoff holds the Dinos Chair of Private Enterprise at Kennesaw State College in Marietta, Ga. Both are family-business consultants.

Mark Your Calendar

March 31, Los Angeles

"Creating Professional Management in the Family Firm: Hiring Outside the Family and Training Heirs," a breakfast meeting at the University of California at Los Angeles. Contact Debbie Mincey at (310) 825-2985.

April 3-11, Marietta, Ga.

The "Family Business Academy," aimed at potential successors ages 20 to 35, covers such topics as understanding family business, strategic management, and developing and selling a business plan. The faculty is led by *Nation's Business* columnist Craig E. Aronoff. To be repeated Aug. 14-22. Contact Alyssa Barnes, Director, Management Development Center, Division of Continuing Education, Kennesaw State College, P.O. Box 444, Marietta, Ga. 30061; (404) 423-6559.

April 29, Ann Arbor, Mich.

"How To Conduct a Successful Family Business Retreat," a seminar for owners and managers offered by the Newport Institute for Family Business. Write or call The Newport Group, 455 E. Eisenhower Parkway, Suite 210, Ann Arbor, Mich. 48108; (313) 769-8000.

May 4-11, Utah

A Succession Preparation/Planning Workshop includes outdoor experiences at various locations in the Utah mountain and desert country. Limited to 14 participants who are business owners or potential successors. Contact Roger Peay of Dyer, Peay and Associates, 2696 N. University Ave., Suite 290, Provo, Utah 84604; (801) 375-0751.

May 14-17, Miami-The Bahamas

"Seeing Your Business Strategically," a seminar led by international management consultant F. Eugene McGrath aboard the Carnival Cruise Line ship *Carnivale*. Contact Richard Polk, Captain Cruise, Inc., 2040 Broadway, Schenectady, N.Y. 12306; 1-800-347-3333.

CASE STUDY

A Widow's Dilemma

When Michael Lebleu was told he had a brain tumor, his reaction was true to his nature: He was going to fight it—and win.

At first, surgery to remove the tumor appeared to be a success. During his long recuperation, however, Michael seemed to lose interest in his business. Family members avoided discussing his illness and the impact it was having on his company. Ultimately, the tumor recurred, and Michael died at age 54.

Michael had founded Lebleu Industrial Engine Service and owned all of its stock. His dictatorial management style had prevented the development of a successor. Sons Wayne, age 32, and Michael Jr., 27, work in the business along with 35 employees, but neither is ready to assume leadership.



ILLUSTRATION: DAVID CHEN

Since Michael's death, the family has discovered that his business owes its bank \$875,000. Payroll taxes of \$150,000 have not been deposited. Accounts payable include \$300,000 over 120 days; accounts

receivable total \$175,000. The books also reflect an \$850,000 deficit of equity.

Michael's wife, Delores, 53, has received \$1 million from Michael's life insurance policy. The insurance proceeds, a house with a \$250,000 mortgage, and the business—which Michael left entirely to her—are Delores' only significant assets.

Delores doesn't remember signing the \$500,000 loan guarantee for the business, but she did, and the bank is demanding that amount from her insurance settlement. Her attorney has advised her to hide the money and ignore the bank's demand.

During her husband's life, Delores did not involve herself in the business. However, family pride, the desire to preserve her husband's dream, and a maternal instinct to safeguard the careers of her sons are causing her to want to save the business. What should Delores do?



PHOTO: SHIRLEY GOULD

Consider Recapitalizing

Peter Boudoin, president of Peter Boudoin Consulting, and managing director of Family Business Accountants and Advisors, Lafayette, La.:

While her husband was alive, Delores was detached from the realities of the business. Now, she is responsible for her own economic future, the survival of the company, and the well-being of her sons. The bank's demand will surely prevail, and Michael's estate is liable for the unpaid payroll taxes. After paying these liabilities, Delores will be left with \$350,000, hardly enough to live on for the rest of her life.

For the business to survive, a mature and capable outsider must be recruited to fill the chief executive position. However, Delores will have difficulty finding a CEO to take over an insolvent business. Another possibility is to find a buyer. Because the business is in distress, the best price may be the assumption of all liabilities. This would be the best solution for Delores but not necessarily for her sons.

Delores could use the insurance proceeds to recapitalize the business. A \$1 million preferred-stock transaction with a market-rate dividend would give Delores a good income. However, what are the chances of the business surviving and being able to pay a dividend of this magnitude?

If the business is not saved, the bank will lose part—if not all—of the \$375,000 balance of its loan after Delores makes the \$500,000 payment. Accordingly, the bank may grant concessions—such as reducing the interest rate and deferring payments—if Delores recapitalizes. The company's vendors and employees may also grant concessions.

Adequate concessions and the capital infusion would make the job of CEO more attractive and provide the means of saving the business.

If Delores is capable of dealing with these issues and if Wayne and Michael Jr. commit their energies and abilities in support of their mother and the business, recapitalization seems to be the best option.



PHOTO: SLOAN PHOTOGRAPHY

Save The Business

J. Joseph Paul, a principal in Inger & Paul, Consultants to Family Enterprises, in Portland, Ore.:

The sins of fathers can be visited not only upon their descendants for generations but also upon wives. Michael Lebleu's sin was a management style that valued control over leadership. This need for control almost buried his business with him.

Delores must act immediately to save the business and shield her personal finances. First, she must find a different attorney—the last thing she needs now is an attorney who urges her to take action that is not only unethical but also possibly illegal. Then, given her lack of experience, Delores needs a family-business consulting firm to help her hire an acting manager, to negotiate a financing plan with the bank, to professionalize company management, and to facilitate a series of family meetings.

With the bank's cooperation secured and a temporary manager in place, a search should begin immediately to hire a CEO to turn the company around. Since this CEO will be far more knowledgeable than Delores, she and her consultant will also need to recruit a competent board of directors or advisers to guide her.

Attention to the family is essential to the long-term success of the Lebleus' work with their consultant. Given their lack of communication with Michael during his final months, they seem inclined toward the denial of problems and emotions. The series

of family meetings is vital for Delores and her sons to understand how they (and the business) arrived at this juncture, to open communication, and to build trust and confidence. Later meetings should focus the Lebleus' attention on developing clearly articulated goals.

If the sons are interested and able, they could begin to prepare for leadership succession according to a written plan. If Delores decides to sell the company, however, she and the directors can oversee the CEO's management of the business toward that end.

This is one of a series of case studies of family-business dilemmas, commented on by members of the Family Firm Institute and edited by Mike Cohn, president of The Cohn Financial Group, Inc., in Phoenix. The cases are real, but identities have been changed to protect the privacy of the individuals involved. The authors' opinions do not necessarily reflect the views of the institute. Copyright © by the Family Firm Institute, Johnstown, N.Y.

Franchising Beats The Recession

By Meg Whittemore

Customer service, reasonable prices, and a tight focus are helping franchised firms grow and profit in a flat economy.

Running a business during a recession requires a special breed of entrepreneur—one who can adapt to a changing market, find creative solutions to problems, take risks cautiously, and demonstrate the courage to move forward.

Long-term economic pressures—such as those that this country has weathered for the past 18 months—can spell disaster for even the most tenacious business owners.

Nonetheless, amid the endless stories of corporate downsizing and business bankruptcies, many franchised businesses are thriving and growing.

"Franchising is one bright spot in a lagging economy," says Gregg Reynolds, chairman of the International Franchise Association, in Washington, D.C. "Last year, more than 18,500 new businesses were created, adding approximately 108,000 new jobs to the economy."

It is no surprise that franchising continues to ride out the economic turmoil that has caused many less-resilient types of businesses to fail. Traditionally, franchising's success over the past 30 years has been tied to its ability to identify and respond to rapid consumer and market changes, no matter how subtle or small.

Joseph Simone, executive vice president of Mamma Ilardo's, an Italian-pizza franchise based in Baltimore, says that it will be entrepreneurs—franchisors in particular—who will drive what he calls "a renaissance in capitalism" in the United States.

"If there is a recession-proof mechanism within this economy," it is entrepreneurship, says Simone, because entrepreneurs "embrace the philosophy of customer service, high quality, and fair price."

Franchise companies that succeed during a recession, the experts say, appear to be those that are narrowly focused, de-

liver the product or service to the home, and offer an inexpensive luxury to the consumer or provide services at attractive prices.

Another healthy sign that franchising is running counter to the grain of the recession shows up in the results of a study on franchising conducted by the Gallup Organization, Inc., based in Princeton, N.J. In the study, 94 percent of the 994 franchise owners polled said they consider their franchise operations to be

than the post office's; stamp prices, for example, are about the same as those purchased from a vending machine, but they are sold at face value to customers with a mailbox at the store.)

Mail Boxes also provides an array of small-business support services such as telephone message service, typing, faxing, and a mailing address for the small-business owner.

"We have always been a sort of incubator for small businesses," says DeSio, "a way for people to get started in a business without the overhead."

The method is popular. Mail Boxes currently has 1,600 franchises in the United States, 40 in Mexico, and 40 in Canada. Start-up costs average \$75,000, depending on location.

DeSio says that he finds "more and more independent operators are coming to us with requests to convert [to our franchise]." With annual systemwide sales of over \$30 million in 1991, DeSio sees a bright future.

This year, Mail Boxes was designated an honoree of the Blue Chip Enterprise Initiative,

sponsored by the Connecticut Mutual Life Insurance Co., the U.S. Chamber of Commerce, and *Nation's Business*. The Blue Chip program recognizes and publicizes small companies' achievements. (For a complete list of the 1992 Blue Chip honorees, see the story on Page 42.)

"No matter what happens in the economy, people still have to mail things," DeSio says. "We deal primarily in services that are not impulse buys or discretionary purchases. We offer necessities."

Another of life's necessities—food—is what Mamma Ilardo's sells customers. Established in 1976, the 10-unit franchise uses authentic Sicilian recipes brought to the United States when the Ilardo family moved to Baltimore in 1958.

The menu at Mamma Ilardo's offers pizza—New York style (thin crust) and



PHOTO: T. MICHAEL KEZZA

The ingredients of success include "customer service, high quality, and fair price," says Joseph Simone, executive vice president of Mamma Ilardo's.

either very successful (47 percent) or somewhat successful (47 percent).

Mamma Ilardo's is one franchise chain that has maintained high volume through the recession. In 1990, sales averaged \$940,000 per unit for the franchise's 10 units in Seattle; Birmingham, Ala.; Baltimore; and Washington, D.C.

Another franchise that has been growing steadily throughout the economic downturn is San Diego-based Mail Boxes Etc., which offers postal and other business services. "We continue to open one franchise a day in the U.S.," says Tony DeSio, president of Mail Boxes. "I tend to think that the economic conditions have to get very bad before people start to avoid our place to go wait in line at a post office." (Mail Boxes' postage prices are slightly higher

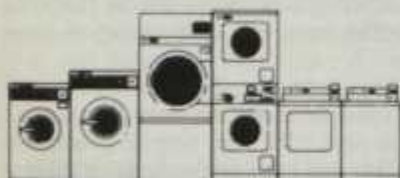
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pan style (thick crust)—calzone, spaghetti, salads, lasagna, and Italian sandwiches. The company's stores are located in shopping malls and strip centers, and the franchise has grown slowly but selectively.

"Growth is a key element" for business success, says Harry Ilardo, president. "Grow too fast, and you lose focus; grow too slowly, and you lose [the customer's] interest."

Mamma Ilardo's growth plans involve regional expansion without selling territories. "We have intentionally remained small and regional in order to provide support for our franchisees and develop high store volume," says Ilardo.

Regionalizing the business is a tactic used by franchisors to contain costs and to ensure continued field support for their franchisees.

Lois Vana Marshall, president of The Marshall Group, a Salinas, Calif., firm that recruits executives for franchised companies, says franchisors increasingly are setting up regional offices staffed by hands-on operations consultants. She explains that "it saves on travel costs for the franchisors and gives the franchisees a

**Grow too fast, and
you lose focus; grow
too slowly, and
you lose [the
customer's] interest.**

—Harry Ilardo,
President, Mamma Ilardo's

local person to call on for advice and guidance."

Says Simone: "People want to be able to touch the companies they deal with, and the only way [for a business] to reach the customer in that way is through regional growth."

The average cost to open a Mamma Ilardo's is \$250,000, depending on the store location. Royalties are 6 percent of annual gross sales. Franchisees

receive a six-week training program that includes food preparation, food handling, planning and cost controls, employee development, staff training, and customer relations.

The training and the ongoing franchisee support are essential, says Ilardo. "The consumer is a quick learner. Unless your business can meet exacting standards for quality, service, and cleanliness, the chances for success diminish."

Taking pride in one's work and paying attention to details are other tactics used by franchisors to attract customers. For Sharon and Kevin Cooper, Perma Glaze franchisees in Riverside, Calif., providing quality service is the foundation of their business. Perma

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Glaze offers repair and refinishing services for bathroom and kitchen tile and for fixtures such as sinks, tubs, and showers. "I take extra care with my work," says Kevin Cosper, "making sure that the quality the customer seeks is there."

It takes about three or four hours to refinish a shower, for example, and the average cost is \$300. Completely renovating a bathroom and replacing all of its components can cost thousands of dollars more and require much more time to complete than a Perma Glaze refinishing, says Dale Young, founder and president of the company.

Since the start of the recession, in mid-1990, Perma Glaze has had a 12 percent increase in sales throughout its 138-unit system. "During this difficult economic climate, more individuals as well as commercial institutions are choosing to repair rather than replace," says Young. "Also, fewer people relocate, so they opt to renovate and upgrade their present homes."

Perma Glaze franchisees typically work from home, and all the equipment needed for a day's work can be fitted easily into the trunk of a car. The business can be part time or full time, and the owner can specialize in antiques or commercial restoration, says Young.

Kevin Cosper does the refinishing work while Sharon Cosper holds down a full-

time position in the credit and collection department of a company that manufactures electronic components. In the evening, she handles the marketing and advertising for the franchise.

The couple bought the franchise in 1988. Kevin says his experience as a painter for 11 years made the transition to



PHOTO: SAM MENDENHALL

Perma Glaze franchisee Kevin Cosper refurbishes bathrooms.

the business easier. "It is helpful if you know how to do some repairs around the house," he says.

"But it is not essential," says Young. "We have people with computer and accounting backgrounds who hadn't picked up a spray gun or a hammer" until they were trained to become Perma Glaze franchisees.

The Cospers' gross sales in 1990 totaled \$36,000, and in 1991 they increased to \$55,000. They see their growth potential as unlimited, even during the recession. "People are cautious with spending," says Kevin. "They want to repair, not replace, and they want value for the money, and that's what we give them."

The total investment for a Perma Glaze franchise such as the Cospers' is \$24,500 for a territory with a population of 300,000. There is an annual \$1,600 licensing fee, and franchisees must purchase all refinishing products through Perma Glaze.

The Cospers agree that times are tough but that hard work does pay off. "Don't expect too much too soon," they say, and be prepared to work. "You really have to get out there and push it."

Like the Cospers, many other franchise owners have discovered that today's customer demands more than just a consistent product or service. Jim Ahern, vice president of franchise operations for Adia



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Personnel Services, says that "there is a renewed stress on customer satisfaction and account retention" among franchisors.

Adia Personnel Services, based in Menlo Park, Calif., is a franchised company that places both temporary and full-time personnel. The company has 570 franchised offices nationwide and offers its customers personnel with a range of skills, including clerical, secretarial, word-processing, and technical.

"Franchisors know that in an increasingly competitive market, quality must be central to what we do, not just something added on," says Ahern. He says that most franchisors are focused more on attaining bottom-line results than on conforming to the details of company policies.

"No one from Adia headquarters comes around [to the franchisee] and says, 'Hey, you're supposed to use a No. 3 pencil, not a No. 2,'" according to Ahern. "Instead, we may have suggestions based on results from a customer-priorities survey."

Adia franchisees are trained to respond quickly to customers' complaints. "When our franchisees receive a complaint or recognize a problem, they pull out all the stops to remedy it and prevent it from occurring in the future," says Ahern.

Franchisors who focus on improving the quality of their customer service typically utilize one or more of what

Ahern calls "quality processes," such as relying on surveys that provide customer feedback.

While some franchisors' sales-growth strategies are aimed at the consumer's concern for saving money, a Silver Spring, Md., franchise has been growing steadily by targeting the consumer's sweet tooth. Candy Express is a candy franchise that offers an inexpensive luxury.

"In recessionary times, when we can't afford to buy expensive things, candy is something that makes us feel better but doesn't cost a lot," says Joel Rosenberg, president of Candy Express. "Candy is one of the most stable industries," he says.

Unlike franchises that rely on customers' considered decisions to make a purchase, Candy Express is "an impulse business," says Rosenberg. "We thrive on the walk-in traffic," which is why all of the company's franchises are in shopping malls. "Shopping malls are the new 'Main Street' of America," says Rosenberg.

Candy Express' 31 franchises nationwide sell European gourmet chocolates, sugar-free candy, 35 different flavors of licorice, 40 varieties of "gummy" candies, and 60 varieties of jelly beans. The hottest item? "Tear-jerker gum," says Rosen-

(Continued on Page 61)

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Growing A Franchise From Within

By Gregory Matusky

Franchisors are casting their nets for potential franchisees close to home and finding a rich pool of qualified individuals among their own employees.

"Employees who have worked for our company make excellent franchise owners," says David Friedrich, president and co-owner of Advantage Payroll Services, based in Auburn, Maine.

The franchised company provides payroll services to businesses. Employees have an edge in becoming franchisees, he says, "because they understand the company's philosophy, culture, challenges, and potential."

Former employees are Advantage Payroll's primary source of franchise owners. Nearly 20 percent of the company's 32 franchisees have worked as Advantage Payroll employees in the corporate office.

One of those franchisees is Janet Shaw, in Minneapolis. Shaw worked for two years in the tax-services department at the Advantage Payroll headquarters before investing in a franchise of her own.

Gregory Matusky is a free-lance writer in Ardmore, Pa.

"My job was to help franchisees get their client tax information updated," says Shaw, who moved from Maine to Minnesota to open her business.

Shaw says she learned that networking with potential clients was essential for beginning franchisees. "I gained important knowledge that gave me a realistic expectation about the nature of the business," she says.

Shaw paid \$25,000 for her franchise and elected to use the personal line of credit program offered by Advantage instead of a discounted franchise fee. The line of credit carried a 10 percent interest rate and covered her living expenses during the first year.

"You need a year to market and build a client base," says Shaw. "The line of credit gives you that all-important cash flow while you're just getting started."

For Cousins Submarines Inc., employees such as Terry Tariq have led to growth for the 56-unit submarine-sandwich franchise headquartered in Menomonee Falls, Wis.

Tariq was an operations manager for Cousins Submarines for 10 years before he opened his own franchise in September 1991 in Racine, Wis. He was the first

person to open a franchise under the corporation's "employee sponsorship" program; several other employees are now in various stages of obtaining franchises. For qualified employees, the company cuts the franchise fee to \$5,000 from the usual \$18,500. Total start-up costs to open a Cousins Submarines franchise average \$250,000.

Although the company doesn't help with direct financing, it works "aggressively" to pin down any source of money—from local banks to government small-business loans—for potential franchisees, says David Kilby, vice president of franchising for Cousins Submarines.

Cousins Submarines also helps with site selection, leasing, and store construction. In return, Kilby says, "we get someone into that franchise who requires less operational support."

"It's our way of assisting skilled operational people who want to get into franchising but need help with the business aspect of owning a store."

Advantage Payroll's Shaw says that her experience with the company was instrumental in her decision to buy a franchise. "Why start from ground zero when my experience gave me a head start in the payroll business?" she says. "I knew I could use that experience to my advantage as a franchise owner."

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(Continued from Page 58)

berg. Kids love it, he says. "It's so sour, their faces contort and they actually start crying."

Lorrie and Tom Krawczyk sold 500 pounds of tear-jerker gum each week during the Christmas shopping season at their Candy Express franchise in Waterford, Mich.

In spite of the recession, says Lorrie, "business is wonderful." On a typical Saturday, she says, more than 800 people will make a purchase at the Krawczyks' store, and "during Christmas, we once had over 1,300 customers on one Saturday."

Since the average sale is \$3.50, the key to profitability is high volume. "Location is the single most important element in our business," says Rosenberg, "because we depend so heavily on walk-in traffic."

The Krawczyks opened their franchise in September 1991 and had fourth-quarter gross sales of \$180,000.

For the Krawczyks, customer service is most important. "Every customer is greeted upon entering the store," says Lorrie, "and we treat everybody—including little kids—like kings."

Rosenberg says the franchise's training program helps the franchisee learn the benefits of good customer relations.

"Our store will draw in the customer," says Lorrie, "but it's our service that will

Tips For Buying A Franchise

Most franchise contracts have a 15-year term. Because consumer trends and the economy are likely to change during a span of that length, says executive recruiter Lois Vana Marshall, the most important element to consider in a franchise purchase is the franchisor's management team.

"The management team drives the franchise," says Marshall, who is president of The Marshall Group, a Salinas, Calif., firm that recruits executives for franchised companies. "A good management team will consider the franchisee a partner."

Marshall offers several tips for those searching for a franchise:

- Look at the management team's past accomplishments as well as its goals. Do managers want fast growth for the franchise? Do they intend to take the franchise public? If so, how will franchisees be affected?

- Is the management team capable of tracking trends and altering the system before changes occur in the economy or consumer tastes?

- Are the accomplishments and reputations of the managers strong enough to obtain funding if the company needs it?

- Does the management team share your business philosophy?

- Will management listen to you after the contract is signed?

It is important to determine if you can work together over the next 15 years to succeed and profit, says Marshall. "The prospective franchisee should question the management team, know them, and feel confident with them," she says. "After all, the average franchise contract lasts as long as, if not longer than, the average marriage."

Other points to consider before taking the plunge into becoming a franchisee include questions compiled by the International Franchise Association. The IFA suggests that you answer the following:

- Are you willing and able to take on the responsibilities of managing your own business?

- Will you enjoy the franchise?

- Are you willing to follow the franchisor's system completely?

- Do you deal with people successfully?

- Can you afford the franchise?

- Have you carefully studied the legal documents?

- Does the franchise you are considering have a track record of success?

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Customer Service

By Gregory Matusky

Marketing in the recession requires finding new ways to reach and retain customers. If a product or service doesn't measure up, it disappears.

Yet franchise products and services rarely suffer from consumer indifference. Franchises, with their centralized marketing and consumer-driven research-and-development programs, know how to win the hearts of even the most discriminating consumers. They do it through customer-service programs that go far beyond a simple thank-you after the sale.

For franchisors, customer service means winning and retaining customers even when times are tough or recession threatens to cause even the most loyal consumer to give up a product or service.

"The only way you can service your customer is to first understand who your customer is," says Nancy Nagamatsu, director of marketing for Goodbodies Natural Investment, Inc., a Miami-based retail franchisor. Goodbodies, with 14 franchisees in the U.S. and Europe, markets hair, body, and skin products that are said to contain no ingredients

that could harm the environment.

"We have learned that our consumers tend to be innovators who want to know everything they can about the products they use," says Nagamatsu.

To meet their customers' hunger for information, Goodbodies provides a range of educational services about their products and related topics.

Among the services are in-store product dictionaries that report key features of a product, toll-free consumer hot lines, and consumer newsletters that promote consumer causes and issues—not products.

"Our customers don't buy our products because they smell like lavender," says Nagamatsu. "They buy them because they know that lavender is a natural ingredient that can help any number of skin problems."

For other franchises, customer service takes a more pragmatic approach. For instance, at Takeout Taxi, a food-to-your-door franchise based in Herndon, Va., consumer feedback is regarded as the key to serving customers better. Takeout Taxi delivers restaurant-prepared meals to customers at their homes or workplaces.

The company, which has 11 franchisees who operate 30 units throughout the country, requires franchise owners to call

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In addition to *Entrepreneur*, Jani-King has been recognized by others as leaders in the franchising world. Success named Jani-King number seven in their 1991 "Gold 100" ranking and *Money* magazine rates Jani-King as one of the "10 top for the '90's".

Although you can start a Jani-King franchise for as little as \$6,500, you are not limited to owning a small business. Our unique program customizes your franchise to suit you — meaning you can be as big as you want! Whether you want to start part-time or full-time, the time has never been better to invest in your future with a Jani-King franchise.

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every customer after they first use the service. "That first exposure to our service is the critical point in determining whether the customer will become a frequent or a one-time user," says Jonathan Krasner, the company's vice president of marketing. "If the customer liked the service, the telephone call reinforces their positive impressions, and if something wasn't absolutely right, the telephone follow-up gives us the chance to regain their confidence."

Krasner believes that these types of customer-service programs are a big reason why franchises succeed where independent businesses fail. "We tracked more than 150 attempts to copy our concept during the past three years," he says. "Ninety-eight percent of them failed. Sure, many of them had customer-service programs in place. But the service wasn't incorporated into the policies of the business. They were followed once or twice and then forgotten or abandoned."

"But a franchise doesn't give you that option," he adds. "Calling every new customer takes time. Most franchise owners think they have better things to do. But we enforce the rule, and the results speak for themselves." Ninety percent of Takeout Taxi's business in a mature market is from repeat customers.

get them to come back."

Start-up costs for a Candy Express run just under \$200,000. The franchisor helps with site selection and lease negotiation. The business is so location-sensitive, Rosenberg says, that "it is essential to help the franchisee with that area."

Top-notch customer service, quality products and services, and reasonable prices are behind the success of most franchises. In addition, some companies have highly specialized tactics for prospering in the recession. One such tactic is capitalizing on consumers' love of nostalgia and hobbies.

"Aging baby boomers and their love of crafts and demand for home-decor products prompted us to move in that direction," says John Menzer, executive vice president of Ben Franklin Retail Stores, Inc.

Based in Carol Stream, Ill., Ben Franklin has more than 225 franchise craft stores, and the company plans to grow by 20 more franchised stores and six company-owned stores this year.

Other franchised firms that zero in on baby boomers' interests are Wild Bird Centers and Great Golf Learning Centers.

Wild Bird Centers, based in Cabin John, Md., specializes in selling products

and food for wild birds. Says founder George Petrides: "If the birds don't like [the products], we



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don't sell them."

Great Golf Learning Centers, headquartered in Blackwood, N.J., gives weekend golfers a leg up on their games. Customers undergo a personal analysis of their golf swings and then choose the kind of training program that best fits their needs.

Meeting an emerging trend head-on is Dan Rhode's approach to franchising success. Last year, Rhode started Hometown Auto Service, in Jeffersonville, Pa., after spending 26 years in franchised businesses specializing in automobile painting and refinishing.

The corner gasoline stations that offered everything from an oil change to a brake job have been disappearing, Rhode says. "There were 220,000 full-service stations [nationwide] back in the '70s. Today there are fewer than 40,000."

Hometown Auto Service is a return to the old days of one-stop automobile maintenance. "People want value for their dollar," says Rhode. "We want to be the 'family doctor' for our customers' cars."

Behind each franchisee's efforts to attract and retain customers is increased attention by the franchisor to programs aimed at helping franchisees meet their goals.

Attention to details is a trend throughout franchising—and one that appears to enhance a business's chances for survival and success in an economic downturn.

Moreover, when the franchisee receives substantial support from the franchisor, the ultimate beneficiary is the customer.

Businesses that do best when the economy is in a recession appear to be those that adhere to the fundamentals of sensible retailing—particularly the rule that you must pay attention to the customer.

Says Mamma Ilardo's Joseph Simone: "Our competition is any company that sets no limit on satisfying the customer and puts out a superior product."

More and more franchisors are beginning to share a view similar to Simone's, and the notion that "the customer is always right" may prove to be one of the most important survival tactics of this recession.

Franchisors know that in an increasingly competitive market, quality must be central.

—Jim Ahern,
Vice President,
Adia Personnel Services

Books, Tapes, And Expos

The International Franchise Association sells a wide range of books, audio tapes, and videotapes on franchising. For a free copy of its *Publications List*, write to the International Franchise Association, 1350 New York Ave., N.W., Suite 900, Washington, D.C. 20005.

Franchise trade shows held throughout the country each year are also useful sources of franchising information. The International Franchise Association's World of Franchising Expos offer attendees an opportunity to see and obtain information on a selection of franchises. This year's expos are scheduled for the following dates and cities:

April 10-12: Washington, D.C.
May 30-31: Minneapolis
June 27-28: Chicago
Aug. 8-9: Philadelphia
Aug. 29-30: San Francisco
Oct. 10-11: Atlanta
Nov. 7-8: Anaheim, Calif.

For more information, write to IFA Expos, c/o The Blenheim Group, 1133 Louisiana Ave., Suite 210, Winter Park, Fla. 32789.

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Media Networks Helps Pilot Pen Get Its Fountain Running

Every year, Pilot Pen launches a series of promotions to boost sales, increase brand awareness, and introduce new products. The challenge in 1990 was to involve local dealers in the roll-out of the new Varsity Disposable Fountain Pen.

To bolster awareness in support of the local dealers, Pilot's ad agency, Mason & Madison, recommended and implemented a series of Pilot Pen ads in MNI's News Network, a package of top national newsweeklies that targets local markets. Taking advantage of the News Network market-by-market creative flexibility, Pilot provided local dealer listings in each of 23 different markets.

The results exceeded all expectations. The promotion set new records for volume and turnaround time. In fact, Pilot emptied its warehouse even before the promotion ended its 10-week time frame.

To find out how local advertising in national magazines can speak volumes for you, call Media Networks today, at 1-800-446-8781. It'll help keep the red ink away from your bottom line.



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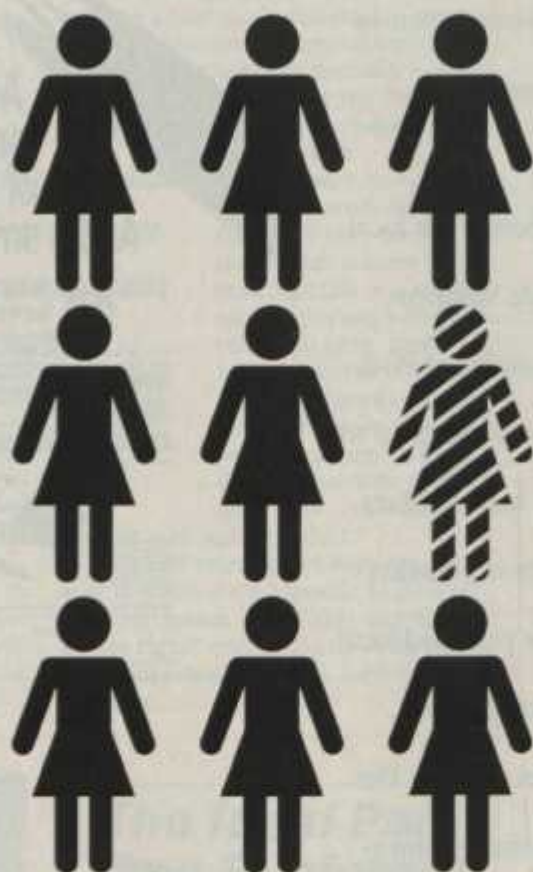


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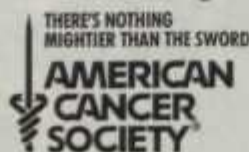
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Small-Business Computing

In-house tax preparation; a fully featured double-entry system; commuting with file-exchange programs.

By Ripley Hotch

TAXES

More Options From Tax Software

ChipSoft, publisher of **TurboTax**, the leading tax-preparation software package, is moving to stay ahead of its competitors. First, it acquired **MacInTax**, the leading tax package for the Macintosh. Then it brought out a version of TurboTax for Windows. Now it is offering limited-use licenses for some of the professional series of its products.

Ordinarily, TurboTax programs include only the personal Form 1040 and all supporting forms at about \$79.95 (suggested retail); Windows, \$99.95. For the corporate and partnership returns, you had to buy the program, which runs \$399, with modules for the specific returns at \$399 each, because professional tax preparers used it for several clients.

The limited-use license allows users to prepare one return for corporation (1120), S-corporation (1120S), partnership (1065),

and fiduciary (1041) returns at \$129 each.

Alan Gleicher, president of ChipSoft's personal division, says, "We think many small-business owners would be interested in doing their own taxes completely in-house, if the right software were available at the right price."

Leonard A. Magazine, owner of Real Estats, a statistical-analysis service in Clark County, Wash., has been preparing his return on TurboTax for years. He has several businesses, so his return runs 45 to 50 pages. He now uses the Windows version and has it linked to Quicken, the financial-management software from Intuit.

"TurboTax is superb in the Windows environment—you're looking at your tax return on the screen," says Magazine. He likes the online help and the fact that you can enter information when you need to, one time. "Printouts are wonderful, as nice as the forms the IRS sends you, with all the numbers there in the form." Besides, Magazine adds, "It's cheaper than a CPA."



PHOTO: JEFFREY BLOCK—BLACK STAR

Leonard Magazine uses TurboTax for Windows to prepare his complex returns.

ACCOUNTING

Industrial-Strength Number Crunching

If your small or mid-sized business is complex but has limited resources for bookkeeping, **Manzanita BusinessWorks** may be what you need. It is a DOS product and doesn't take huge system resources, but it is a fully featured double-entry system with an excellent and accessible interface.

The folks at Manzanita have tried to keep the user in mind, and this shows in their excellent manuals and in their Test Drive Demo. There's a small charge of \$19.95 for the demonstration disk, but choosing an accounting system is so much a matter of user preference that the time saved is worth the price. And if you buy a BusinessWorks software package, the price of the test drive is refunded.

The program is not low-end, either in price or in capabilities, but it isn't overly expensive, either. It has general ledger, accounts payable, accounts receivable, inventory control, payroll, and order entry modules at \$295 each (the GL, AR,

and AP modules can be bought as a unit for \$795, and this may be all you need). BusinessWorks is networkable.

The company is also bringing out a product called **BusinessForms**, which allows you to use your printer and plain paper to produce your standard forms.

BusinessWorks uses a version of horizontal modules, from which menus drop down. Everything is clear, and you won't have any problems navigating through it.

The program supports departmentalized accounting, which many mid-sized companies need and which is not usually available in lower-end programs. And it's a pleasure to be able to export and import data from spreadsheets.

Setup is relatively easy (you have 17 sample charts of accounts), and posting from the modules to the general ledger is automatic.

Where the program shines is in its reports; there are so many for each module that you will probably have any that you will need. They print attractively, so you have a professional presentation if you need to visit your banker.

For information about dealers near you, call 1-800-447-5700.

Collecting Those Delinquent Payments

One of the biggest problems for smaller businesses, made especially difficult during a recession, is collecting from slow-paying or overdue accounts. Many small businesses find themselves in bankruptcy even though they may have plenty of money due.

Having to turn receivables over to a collection agency can be expensive, and some accounting programs are now including some form of collection software. But if yours doesn't have that capability, you might want to consider **Cash Collector** from Jian, in Los Altos, Calif.

Jian specializes in templates—forms that can be loaded into your existing word processor or spreadsheet and customized for your situation. Cash Collector offers a series of dunning letters, and it includes a "ticker" so you can make sure your collection letters are timely.

There's nothing fancy about this \$179 program, but the letters are legally sound, and they may help your cash flow. For more information: 1-800-346-5426 (in Calif., 415-941-9191).

TELECOMMUTING

The Next Best Thing To Being There

More and more businesses are exploring telecommuting—allowing employees to work at home. One of the great advances brought by the personal-computer revolution is easier telecommuting for knowledge workers—anyone who works with information rather than things, or in services. With a home PC, the employee or manager can take work home on a floppy disk; working at home can be as efficient as working in an office if there are no interruptions.

But suppose you go off and forget important files? Or you're in the middle of a project at home and you need some information that is on your machine at work? Ordinarily, you'd think you have to

go back to the office to get what you need.

Not necessarily. There are several good file-exchange programs, such as **Carbon Copy Plus** from Microcom, in Norwood, Mass. If your work and home computers are equipped with modems, you can set the program running at work and call in from home to perform any operation you could perform at your office (except for Windows programs).

Carbon Copy has been around a long time and has developed quite well: It has password protection (important for keeping prying hackers out of your system), allows you to log on to a network, exchange files, and otherwise "take over" another machine. Its drawbacks: It's a bit slow compared with some other programs, and the manuals may not give you as much help as you need. For more information: 1-800-822-8224.

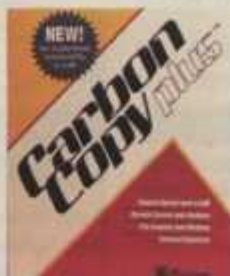


PHOTO: BETSY LOWERY

INFORMATION MANAGER

Will This Be The Way You Work?

Software publishers have worked furiously to create a program that would serve adequately as a sort of secretary/researcher/organizer. These attempts have gone under the informal name of "Personal Information Managers," or PIMs.

The trouble is, no two people work the same way, so all the PIMs have captured a little bit of the market as various users have found a comfortable match. Most executives have never found one.

Now comes **Way You Work** from Proteo Technology Corp., which puts itself out on the limb with a PIM that insists it works the way you do.

It probably will, if you can take the time to learn it; but it will also appeal (in its current early version) to only a specialized segment of business managers. If you have a number of small projects and a fair number of people to juggle, and if all of them have definable tasks and work by schedules, then this could be just the ticket. Of course, it can be used in other ways, but that is the kind of manager who will get the most from it.

The problem with any powerful program like **Way You Work** is that it can offer so much that it can overwhelm the user. **Way You Work** is, first, a DOS "shell" that insulates you from those

cryptic prompts—and offers you advantages like long, descriptive file names instead of the short, seven-letter ones that DOS requires, and which are often cryptic. Then it offers to organize your life using familiar terms such as wastebasket, inbox, drawer, desk, and so on.

As you work with the program, you create files and group all kinds of objects in them. This part of the program imitates files and folders, to give your work a more natural organization than directories and subdirectories. You can create forms, which can be filed on many different criteria. In other words, **Way You Work** is a fairly flexible front end for a database, and the forms can be used by a work group.

The program is also a file and program manager. For example, if you create a document (or form) in a word processor, the document is associated with that program.

When you point to a document—with a cursor, for example—to begin working on it, **Way You Work** launches the program along with it. This kind of task switching is helpful when working with several different programs.

If you have worked with Microsoft Windows 3.0, much of this will sound familiar, as it should. **Way You Work** tries to give DOS users some of the flexibility of Windows (and in fact runs under Windows if you wish). It is logical, extensively customizable, with plenty of tutorials and help. It is not intuitive, however, and it requires much work by the user: As with every PIM, you have to keep up your records all the time. (609) 520-9880. **NE**



PHOTO: BETSY LOWERY

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Direct Line

Experts answer our readers' questions about starting and running their businesses.

By Meg Whittemore and Ripley Hotch

PUBLISHING

A Puzzling Question

I would like to sell a variety of puzzles—such as crossword puzzles and cryptograms—to magazines and newspapers. Is there an organization for puzzle writers? How do I get started?

L.S., Sanford, N.C.

Most newspapers get their puzzles from syndicates such as the New York Times Syndicate, the Los Angeles Times Syndicate, and King Features. Breaking into the puzzle business in these syndicates is extremely difficult, says Lee Stinnett, executive director of the American Society of Newspaper Editors.

You can find a list of the syndicates in the *Editor and Publisher Yearbook* (for subscription information, call 212-675-4380).

You might try offering puzzles to your local newspaper on a free-lance basis, to see what you learn and how you like working with editors, says Stinnett. Syndicates often look to their subscribing newspapers for new talent, he says.

In addition, *Writer's Market*, an annual directory published by *Writer's Digest Books*, lists magazine-publishing companies that buy word puzzles from free-lancers. The directory is available in libraries and bookstores.



ILLUSTRATIONS: DAVID ALLEN

TEMPORARY EMPLOYEES

Executives For Rent

I have read about companies that supply executives on contract. What sizes and types of companies find these executives good for them, and what jobs are these executives filling?

E.L.C., Cincinnati

Executives hired as temporaries work in many types of companies and fill various slots, such as senior financial officer, plant manager, human-resources trainer, or vice president for operations, marketing, employee relations, or public relations.

More such temporaries are becoming available because of extensive rounds of

corporate downsizing during the recession.

Bruce Steinberg, spokesman for the National Association of Temporary Services, in Alexandria, Va., says that the "interim professional" or "executive-level temporary" is the fastest-growing segment of the temporary-help industry. "Sometimes companies find that they have downsized too much and yet still cannot afford a full-time executive, so they hire a temporary," he says.

The National Association of Temporary Services offers a research reference kit for those interested (\$30, including shipping and handling). Contact the association at (703) 549-8404.

MARKETING

Cooperative Advertising

I run a small service business, and my marketing and advertising costs are killing me. I am familiar with co-op advertising funds offered by many national and regional companies, but I have had little success in obtaining them. Any suggestions?

C.A.G., Charlotte, N.C.

Co-op advertising is offered in some—not all—industries, and not always to smaller businesses. Susan Sewell, manager of

public relations for the American Association of Advertising Agencies, in New York, recommends the *Co-op Source Directory*, a guide to 6,000 organizations and companies that do co-op advertising.

It is published in two editions, March and September, with monthly updates. The subscription, which includes both editions and updates, is \$367, plus \$10.50 for shipping.

To learn if your type of business is covered in the directory, or to order the publication, call the National Register Publishing Co. at 1-800-323-6772.

SERVICES

Clean Wheels

I am interested in building a coin-operated, self-serve carwash with a couple of bays. I need information on water and septic requirements.

M.P., Whitecat, Wis.

Even in a tight economy, services that save people time generally have a good chance of doing well.

For information on how to start a full-service carwash, including the equipment needed and overall operating costs, contact the International Carwash Association, 1 E. 22nd St., Suite 400, Lombard, Ill. 60148; (708) 495-0100.

The association offers a start-up information kit for \$10 (payable by check or major credit card). The association's annual directory of manufacturers and suppliers is included in the kit, along with information on seminars and expositions throughout the year.



BARTER

Give And Take

I am interested in establishing a barter exchange in my area. How do I proceed?

L.B., Joplin, Mo.

Barter exchanges typically have 100 to 300 members; their accounts are debited or credited as they "buy" or "sell" goods or services among themselves. The exchange charges membership fees and collects a percentage of the value of each deal in cash from one or both parties.

For a fuller description, see "When

Money Is No Object," in the July 1991 *Nation's Business*. (To order a reprint of the article, call 202-463-5877, or fill out the coupon on Page 65. Ask for Reprint 8842. The price for 1 to 9 copies is \$1.99 each.)

For information on setting up an ex-



change company, contact the International Reciprocal Trade Association, 5152 Woodmire Lane, Alexandria, Va. 22311; (703) 931-0150.

MANAGING

The Pay's The Thing

Our employees are paid monthly. Would there be any pluses for them if they were paid weekly or every other week?

C.P.G., Waynesboro, Va.

The only plus for the employee is to be paid more frequently, says Dora Moore, partner with Enterprise Financial Services, Inc., an accounting and tax firm in the Washington, D.C., area. "Some employees are not good at budgeting for a month-long period," she says.

Increasing the frequency of paying employees increases a company's administrative costs, she says, adding that a weekly payroll can strain a small business if its receivables are on a monthly cycle. Moore says there are no tax benefits to a more frequent pay cycle.

RECREATION

Setting Up Camp

How can we get information on opening a campground in Mississippi?

C.A., Yacloskey, La.

The National Campground Owners Association has information on topics such as the national standards for the industry. The association offers a free, three-page list of publications that cover start-up, zoning restrictions, state associations, industry standards, and recreational-vehicle park development. There are also books on electricity and plumbing.

For more information, write to the National Campground Owners Association, 11307 Sunset Hills Road, Suite B7, Reston, Va. 22090.

AQUACULTURE

Snails For Supper

I am interested in raising edible snails for sale to gourmet restaurants or canneries. Where can I obtain start-up information on snail raising?

K.G., Frostburg, Md.

The Aquaculture Information Center offers a free publication, *Raising Snails for Food*. An updated edition should be ready by mid-1992. To check on its availability before ordering, write or call the center, National Agriculture Library, Bibliography Department, 10301 Baltimore Blvd., Beltsville, Md. 20705; (301) 504-5755.

SPECIALTY RETAILING

Mapping Out A Plan

Where can I find information about operating a store that sells maps?

M.C.B., Augusta, Ga.

You can begin with the International Map Dealers Association, P.O. Box 1789, Kankakee, Ill. 60901-9915; (815) 939-4627. The association has a free membership information pack, which includes a copy of its bimonthly newsletter and a list of publications on the industry.

The association offers an annual supplier directory for \$35. The membership



directory, also \$35, lists the association's members, including retail and manufacturing businesses. Checks and major credit cards are accepted.

HOW TO ASK

Have a business-related question? Mail or fax your typewritten query to Direct Line, *Nation's Business*, 1615 H Street, N.W., Washington, D.C. 20062-2000; (202) 463-3102. Writers will be identified only by initials and city. Questions may be edited for space.

The editors of Direct Line have developed *The Small Business Resource Guide*, which contains answers to the questions we are asked most frequently.

The booklet is available for \$5.95 a copy (plus \$1 for handling). To order, send a check or money order to the Circulation Department at the address above.

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For Your Tax File

How to keep taxes from trapping you.

By Albert B. Ellentuck

DEADLINES

To Extend Or Not To Extend—That May Now Be The Question

As April 15 draws near, many individuals may be growing concerned about meeting that deadline for filing their tax returns. Those who prepare their own returns should be able to finish and file them on time.

Those who still plan to send their tax-related information to an accountant or other preparer, however, may want to consider requesting a later deadline.

This is the busiest time of year for tax

preparers, and as their work piles up, they find it increasingly difficult to complete a return on time if they get the information at the last minute. If the information arrives too late, they must obtain a deadline extension for filing the return.

Many people think that if they obtain an extension because they didn't file their return before April 15, there is a greater chance of an Internal Revenue Service tax examination.

This is not true. The IRS selects returns for examination based on a series of criteria, and obtaining an extension is not one of them.

If you need more time to gather all of your tax information, it is important that you take that time. There may be deductions, credits, or other tax benefits that you otherwise could overlook.

You may apply for an initial (automatic) four-month extension to run until Aug. 15. You may request an additional two-month extension for filing your return, and the agency usually will approve it if an acceptable reason for the request is provided.

The only circumstance in which an extension beyond Oct. 15 can be obtained is if the taxpayer is out of the country.

Even with an extension, however, the taxpayer must pay the total tax due at the time of requesting the extension. In other words, the taxpayer or his or her accountant must estimate taxes owed, and a check for that amount must be enclosed with the extension request. Remember that if the estimate is too low, the extension may be invalid, and you may have to pay a penalty later.

If you prepare your own returns and make your own extension requests, you must calculate the tax twice—when you request the extension and when the return is prepared. If you hire a preparer, your costs will rise as a result of the duplication of the preparer's time and effort.

Another decision must be made before April 15. If a taxpayer is self-employed and has earnings not subject to withholding, that individual must make estimated tax payments. But be sure to proceed with caution. An extension for filing a return does not extend the time to file the estimated payment. This is true not only for the April 15 installment but also for the June 15 and Sept. 15 installments if the return is still on extension at those dates.

The bottom line: It pays to file tax returns on time.

DEDUCTIONS

Tax Savings Via Pension Contributions

Corporations that had pension or profit-sharing plans in place on Dec. 31 can still reduce their 1991 taxes even if they made no contributions to such plans during the past year.

By contributing before the due date of their returns, they will get the benefit of the contribution as a deduction on their 1991 returns. This is a good opportunity

to get virtually an instant deduction for the payment.

Take the example of a company that adopted a qualified pension plan several years ago. Since the company operates on a calendar year, its tax return is due March 15. If it contributes \$30,000 to its plan no later than its tax-filing deadline, it will reduce its March 15 taxes by \$10,200, assuming the company is taxed at the top rate of 34 percent.

What if a company is short of cash and cannot make the plan contribution? The company can borrow to make the payment, or, as noted in the article above, the due date of its income-tax return can be extended.

Corporations can get a six-month automatic extension until Sept. 15.

If the due date is extended, the payment will not be due until the extended due date of the return.

The same holds true for Keogh plans for self-employed individuals or partnerships and for Simplified Employee Pensions (SEPs).

Note that a valid extension is essential. If an extension is invalid and the contribution is made after the original due date of the return, the deduction must be taken on the 1992 return rather than on the 1991 return.

Similarly, taxpayers eligible to make Individual Retirement Account (IRA) contributions can make a contribution as late as April 15, 1992, and have it count as a deduction on their 1991 individual income-tax returns.

However, unlike qualified plans, the extension of the due date of an individual income-tax return does not extend the time for making the IRA payment. That payment still must be made on or before April 15 in order to qualify.



Tax lawyer Albert B. Ellentuck is a partner in the Washington law firm of Colton and Boykin. Readers should see tax and legal advisers on specific cases.



When you request an extension of your tax-filing deadline, include an estimate of taxes owed by filing Form 1040-ES, and enclose payment in full.

It's Your Money

A monthly survey of strategies, tactics, tips, and suggestions to help you with your personal finances.

By Peter Weaver

INVESTING

ARMs That Offer Safety And Higher Returns

The payout on money-market funds has fallen to about 4 percent, and some certificates of deposit have dipped as low as 3-plus percent. So a number of frustrated investors, looking for a better place to park their funds and still be safe, are latching onto new, hybrid money-market funds that provide income of about 6 percent.

The funds' portfolios are invested in government-backed adjustable-rate mortgages, or ARMs, which provide higher current income with very little risk.

Is there a catch? A small one: As ARM rates rise or fall, the value of fund shares rises or falls. But price fluctuations are minimal.

"If you paid \$10 a share," says Jane Ginsberg, a spokeswoman for the Benham Capital Group, in Mountain View, Calif., "the annual price fluctuation would be only a few cents."

The Benham ARM fund and one sold by T. Rowe Price, a Baltimore-based fund group, are "no load" funds, meaning no sales commissions are charged for purchases. You buy directly from the fund-management companies, which advertise in various financial publications and newspapers.

Some stockbrokers and financial planners offer "low-load" funds, which charge you a 1 percent fee if you take your money out of the fund within 12 months of the purchase date.

"But watch out," says T. Rowe Price spokesman Steven E. Norwitz. "Some ARM funds have sales commissions as high as 4 percent, which takes away most, if not all, of the income advantage you were seeking."

The minimum initial investment for the various ARM funds ranges from \$1,000 to \$2,500, and you receive a checkbook that gives you easy access to your money in the fund.



Peter Weaver is a Washington-based columnist on personal finance.

The Coins May Be Real, But The "Deal" May Be Bogus

The Federal Trade Commission is cracking down on telemarketers and mail-order companies that offer supposedly rare coins as long-term investments.

"What they don't tell you," says David Fix, an attorney with the FTC, "is that the coins are not rare and are marked up as much as three to five times the real market value."

The Morgan silver dollar is one of the coins that some firms are touting as having great investment potential. "Some Morgan dollars are very rare and could be good investments," Fix says, "but the ones being sold by the telemarketers are in plentiful supply."

Coins are often very hard to resell (except, of course, at their face value—a Morgan dollar is still a dollar) because

The Quest For Higher Interest Rates

If you have recently had a certificate of deposit come due, you probably suffered sticker shock in reverse when you saw the anemic rate of 4 to 5 percent you would get for rolling over your money.

Moreover, there's no relief in sight. "CD and money-market rates should stay at the bottom of the well for a while," says Peter S. Nagan, publisher of the *Washington Bond and Money Market Letter*.

You want to play it safe, but you hate those rates. What can you do? "Some investors are looking into bond funds to get better rates," Nagan says, "and oth-

CREDIT

How To Avoid "Credit Shock"

While you are refinancing your mortgage, getting a home-equity loan, or obtaining some other form of credit, it happens. You get a letter or a call from the prospective lender stating that there's a problem with your credit-bureau report. You are shocked. You always pay your bills on time. You thought your rating would be A-plus.

When you investigate, you find that some incorrect information made its way into your credit report, and now it's threatening to blow the whole transaction.

Your data files might have gotten



PHOTO: BETSY LOWMEYER

Are Morgan dollars a good investment?

there is almost no secondary market for such items, except for those that are the rarest.

Sometimes the seller of overpriced coins offers a buy-back provision. Often, however, a buyer who tries to cash in such coins finds the seller has disappeared.

ers, who are a little more venturesome, are going into conservative [growth, and growth-plus-income] stock funds."

Says Alexandra Armstrong, a certified financial planner and president of Armstrong, Welch and MacIntyre, in Washington, D.C.: "A good, high-quality corporate-bond fund should be paying around 7.5 percent to 8 percent, and you're not exposed to much of a market risk."

The risk, of course, lies in the fact that bond prices go down when interest rates go up. "But I don't see much of a market risk right now," says Nagan, "because there's nothing much on the horizon to get rates moving back up again."

mixed up with those of someone whose name is the same as yours. Or something you thought you had straightened out with a store or other creditor is still lingering, way out of date, in your report.

If you are notified that there is negative information in your credit report, call the credit bureau involved immediately to obtain a copy of your file. "If your application for credit has been held up or turned down," says Federal Trade Commission spokesman David Medine, "the credit bureau has to promptly send you a free copy of your report."

If you are just checking your report as a precaution before applying for credit, the credit bureau has the right to charge

a fee, ranging from \$2 to \$15, depending on where you live.

"When you find an error in the report," says attorney Robin Leonard, writing in *Nolo News*, a consumer-law publication, "request, in writing, that the credit bureau remove the information."

Leonard says you should also "send a copy of your request to the customer-service department, marketing director, or CEO of the creditor who reported the incorrect information." As a rule, the creditor wants to keep your business and, if there's a mistake, will promptly notify the credit bureau.

But having a mistake erased from one credit-bureau report doesn't mean it might not pop up somewhere else. There are three major companies that do the bulk of credit reporting on a national scale: Equifax, Trans Union, and TRW. "Get a copy of your report from all three companies," Leonard advises, "to make sure the information is deleted from each of their files and not just one of them."

Both Leonard and Medine suggest that if you want to make sure that erroneous information doesn't foul up some future request for credit, you should obtain copies of your credit report every year.

Credit departments can tell you where to inquire, or you can find addresses and phone numbers in the Yellow Pages under "Credit Reporting Agencies."

CASH TRANSFERS

How To Send Money Out Of Town—In A Hurry

There's an urgent phone call. A member of your family in another city needs some cash—fast—to cover an emergency.

There are several ways you can get money to another destination within a few minutes, and one of them may not cost you anything.

If you have an account with a broker, you can call to have money wired immediately to one of the company's offices in your beleaguered family member's city. The money can be taken from cash in your account, or it can be lent to you on margin, and you can pay it back within the next couple of days with only a small-change interest charge.

Says one office manager for a national brokerage firm: "We can do this as fast as anybody, and we don't charge for it. It's a customer service."

Or you could use Western Union's fast-money service. It can get the cash there in less than half an hour, and you can charge it on your Visa or MasterCard. But to send \$1,000, you have to pay \$55 if you charge it—you can do that by phone—or \$50 if you go to a Western Union office and pay cash.

American Express' MoneyGram service costs \$49 to send \$1,000, and you can charge the money on Visa, MasterCard,



PHOTO: SPETER BARFIELD/FOCUS, INC.

It's late and the car breaks down—how can you get cash quickly for repairs?

Discover, or the American Express Optima Card (not the green or gold cards). But you must go to an American Express agent's office to fill out a form. You can't use the phone.

If the money won't be needed until the next day, you can send a postal money order for an amount as large as \$700; the service fee and Express Mail delivery will total \$10.95.

TRAVEL

Cruise Ships That Double As Your Private Yacht

If you plan to invest in a cruise, you may want to consider going on a smaller-than-usual ship—one that carries about 100 passengers. A cruise on such a ship can be "a much more intimate experience than the one you get on the big ships," says Cynthia S. Newman, president of Waters Travel Service, in Washington, D.C., and it "can encourage shipboard friendships with other passengers and the crew."

On most of these cruise yachts, the bridge is open for passengers' inspection. "You can join the captain or one of the

officers for coffee," Newman says, "and they'll show you how to plot the day's course."

Because the smaller ships carry fewer passengers, have all outside suites, and offer more personal attention as well as dining when—and with whom—you like, prices tend to be higher than the big-ship rates.

Rates typically are \$2,000 to \$5,000 per person per week, or even higher.

Although the 2,000-passenger ships are still going strong with stem-to-stern nightclubs, casinos, and boutiques, the smaller passenger ships are attracting vacationers who want to visit out-of-the-

way ports and coves too narrow or shallow for the bigger ships to navigate.

For example, the *Renaissance*, a yacht with all outside deluxe suites for only 100 passengers, pokes into such places as the Seychelles Islands off the east coast of Africa. A cruise yacht of similar size, the *Nantucket Clipper*, anchors at such Caribbean isles as Tortola and Norman Island, which Robert Louis Stevenson supposedly used as the setting for *Treasure Island*.

Some of the smaller ships explore Alaska's fjords and its out-of-the-way ports, such as Ketchikan, Tracy Arm, and Skagway.

AUTOMOBILES

Mediocre Bumpers Can Boost Your Automobile Premium

Before you buy a new car, consider checking first with your insurance agent. That precaution could save you hundreds of dollars in premium costs.

Insurance companies rate cars according to their ability to resist crash damage. "One of the most important items is the car's bumpers," says Chuck Hurley, vice president of the Insurance Institute for Highway Safety. More than 20 percent of insurance claims involve cars damaged in parking lots.

Using low-speed crash tests, Hurley explains, "we find that one car will have a

repair cost of \$3,000, while the other will have a \$600 bill."

Obviously, the car with the big repair charge will have a higher insurance-premium rating.

Unfortunately, you can't tell a good bumper from a bad one by inspection in the showroom or on the lot.

The Insurance Institute conducts tests on most makes and models of cars every year and publishes the results. "We use several different tests," Hurley says, "involving front end and rear end to barrier, rear end to a pole, and front-end angle crashes."

You can get the results of the institute's bumper tests and other insurance-related

tests by writing to Safer Car, Box 1420, Arlington, Va. 22210. The reports are free, but you're asked to enclose a self-addressed, stamped envelope.

The Old Car's Last Stop

Need to dispose of a car too old for a used-car lot? "One thing you can do is donate the car to a high-school or community-college automotive-studies program," says Sgt. William Power of the Montgomery County, Md., police department's abandoned-vehicle division. By doing that, Power says, "you put the car to good use, and you get a receipt that helps nail down a charitable tax deduction."

To Your Health

Managing well includes managing your own health; here is advice to help you do that better.

By Nancy Burstein

How To Stay Healthy When You Don't Think You Have The Time

How do you squeeze exercise into a day already packed to bulging?

You alter your attitude toward it. Americans tend to view exercise as distinct from daily living. You may think that to be fit you need a rowing machine, roller blading, or a five-mile run.

Such workouts are important, but an equally important component in a fit lifestyle is to take advantage of smaller opportunities.

Daily activities that many people view as annoyances—walking to work, gardening, grocery shopping, or cleaning the floor—can be occasions for aerobic activity, or stretching, or muscle building.

Opportunities for exercise abound in your office as well. Do you practice good posture as you sit in your chair? Do you pace as you talk on the phone?

Activities that may seem insignificant can have a significant impact on your health, if you consciously incorporate them into your daily routine. And they don't require extra time.

Of course, you'll also want to engage in more-extensive workouts. Does a workday leave you too tired to exercise? Chances are, much of the fatigue is mental fatigue. Ten hours of meeting deadlines takes a toll on anyone. But do not confuse the strain you feel with your physical state.

You'll find that exercise breeds energy and a feeling of empowerment—a conditioned body is able to tackle virtually any activity with more zest than a sedentary one.

Starting an exercise program can look daunting. Make it manageable by scheduling. Generally, you'll be more apt to exercise regularly if you have a regular exercise schedule—if, for example, you run at 7:30 a.m. Monday, Wednesday, and Friday.

It's also important to recognize that, if need be, you can be flexible in your scheduling. If you have to get to work early on Fridays to prepare for staff

meetings, plan to run Friday after work. Either way, make a definite appointment with yourself, and stick to it.

A weekly exercise regimen should include at least three days in which you get a substantial aerobic workout. Aerobic exercise promotes the supply and use of oxygen, contributes to greater efficiency of the heart and the cardiovascular sys-



PHOTO: SPETER GARFIELD—FOLD, INC.

Regular workouts are important, but exercise should also be a part of daily life.

tem, and is an excellent method of weight control.

An aerobic session requires sustaining your target heart rate for at least 20 minutes. Calculate your heart-rate zone by subtracting your age from 220. This gives you the maximum heart rate in beats per minute. Your target zone is between 70 and 85 percent of the age-estimated maximum heart rate. (For a person who is 35, for example, the range is 130 to 157—220 minus 35 is 185; that figure multiplied by 0.70 is 130, and by 0.85 is 157.)

Before beginning any program of vigorous exercise or setting out to achieve a target heart rate, of course, you should consult with your physician.

In choosing an aerobic exercise, remember that if you don't enjoy it, you probably won't do it, no matter how nicely it fits into your schedule.

Do you need the motivation of an instructor or a friend? Classes or buddy-ing up with an exercise partner might be important for you. Are you competitive? Team sports are terrific—they provide a schedule, camaraderie, competition, and fun. Check out the local YMCA, community center, or college.

Do you need more scheduling flexibility? Running, swimming, walking, and cycling are all options. Want to combine exercise with the evening news? Consider that stationary bicycles, rowing and stair machines, and myriad other exercise machines are available in home models.

Fitting exercise into a tight schedule calls for creativity. A lunchtime aerobic class may leave you in a rather unsightly state for your afternoon business meeting, but don't deny yourself the workout.

Instead of aerobics, take a stretch/toner or yoga class. Limber muscles are vital for injury prevention, body alignment, postural benefits, and ease of movement. And stretching is also a superb way to reduce tension.

Many executives find that early morning and after work are prime times for exercise. Many clubs have early-morning and late-evening hours.

Working out at work is a terrific option; there's no easier way to stick to a lunchtime commitment to exercise than if the class is at your office.

Increasingly, small businesses are responding to demand for fitness classes to accommodate employees on tight schedules. While most are not able to provide full fitness centers, many offer inexpensive classes in makeshift exercise rooms.

No matter what time of day you exercise, you need a good warm-up. But especially in the early morning, when you're rolling out of bed and feeling around for your running shoes, be sure you ease into your workout gently.

Don't engage in aerobic activity later than a couple of hours before you go to sleep, however, or you'll be asking for insomnia: Aerobic exercises are energy infusers.

If you still question whether it's possible to fit exercise into your life, here's some added incentive to put you in an exercise frame of mind: Muscle tissue burns off calories, fatty tissue doesn't. If your business suit masks muscle, you'll burn off more calories just while sitting than if your suit covers fat.

Nancy Burstein is president of Fitness Plus, a fitness management company in New York, and author of several exercise books, including *The 30-Day Fat-Burner Workout*, recently published by Bantam Books.

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Where I Stand

On U.S. Competitiveness

Results of this poll will be provided to leaders of Congress and the Bush administration as they consider action on 1992 legislative issues.

Send the attached postage-paid response card. Or you can circle your answers, fill out the coupon below right, and fax this page to (202) 463-5636.

1.

Do you believe U.S. competitiveness in international markets is rising or falling?

1. Rising
2. Falling
3. Undecided

2.

Do you believe that 1991 decisions made by Congress in economic policy, regulation, trade, and other areas affecting U.S. business and industry generally made the U.S. more competitive or less competitive?

1. More competitive
2. Less competitive
3. Undecided

3.

Do you believe that the Bush administration's actions in 1991 on economic policy, regulation, trade, and other areas affecting U.S. business and industry generally made the U.S. more competitive or less competitive?

1. More competitive
2. Less competitive
3. Undecided

4.

Are elected officials in Washington giving sufficient attention to the matters affecting U.S. competitiveness?

1. Yes
2. No
3. Undecided

5.

Do you think that there is a legitimate role for the U.S. government in increasing the competitiveness of American companies in world markets?

1. Yes
2. No
3. Undecided

6.

If you answered "Yes" to Question 5, what degree of importance do you attach to the U.S. government's role in increasing competitiveness?

1. Extremely important
2. Very important
3. Moderately important

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ILLUSTRATION: WANDOO LEE

Open-Door Policy

Now almost any employee can have some privacy—even those who work in cubicles that have no door. Cubicle Cues, of Cordova, Tenn., sells colorful 5-x-8-inch signs that announce when visitors are welcome and when they are not.

Four signs are available. They tell if your "door" is open, if it's closed, when you'll return, and when you'll open the "door."

You can apply the signs to fabric and nonfabric surfaces on cubicle entrances—or on doors. Cost: \$8.95, with quantity discounts.

The Bard Of Business

To most people, an office cubicle is not the stuff that poetry is made of, but then there's M. Dana Gioia. The marketing manager for General Foods U.S.A.'s Jello dessert division writes:

This is the world in which he lives;

Four walls, a desk, a swivel chair;

A doorway with no door to close.

Vents to bring in air.

The complete poem, "The Man in the Open Doorway," appears in *The Literature of Work: Short Stories, Essays, and Poems by Men and Women of Business*, published by the University of Phoenix Press. The anthology is the inaugural publication of the press, which calls itself the first for-profit accredited university press in the United States. The book includes works by business people about business.

The book costs \$24.95 and is available from the University of Phoenix Press at 1-800-326-7737.

Just Visiting

An identification badge from TEMTEC, Inc., of Spring Valley, N.Y., can help security-conscious business people tell at a glance when visitors have overstayed their welcome.

With the company's new time-sensitive Tempbadge, the word "expired" appears when visiting time has ended.

The badge comes in two parts, which become activated when they are applied to each other.

On the back, the word "expired" is printed in nonpermanent ink; on the face are several layers of a material that interacts with the ink. When the two are placed together, they change chemically. The ink gradually becomes evi-

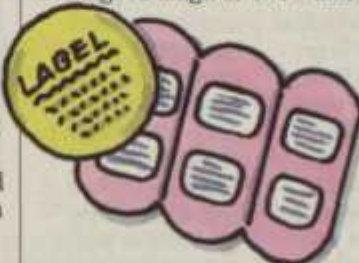


dent—after a day, a week, or a month, depending upon the badge chosen.

TEMTEC offers both stock and custom-designed badges as well as time-sensitive parking permits.

A New Set Of Wheels

For a good laugh or two—and



who can't use one?—you may not have to go farther than your nearest department store. American Tourister's "Wackiest Home Video" is now playing at many specialty stores and department stores.

The Warren, R.I., luggage company created the 45-second ad to promote its new Ambience™ line. The luggage has wheels at the center of each side rather than at each end.

The video shows travelers trying to maneuver traditional suitcases, which zigzag behind them and tip over every few feet. By contrast, a traveler

who uses a center-wheeled Ambience suitcase effortlessly pulls the luggage along its path—with no tipping.

American Tourister says the ad works. Customers identify with the struggling travelers and then buy the new suitcase.

Check The Label

Moss Printing, of Chicago, offers Label on a Label, a versatile package of removable labels with various applications. They can be attached to products on retailers' shelves, for example, or to sweepstakes entry forms, or to game boards.

Label on a Label is a small leaflet. The outer label covers the packet and opens to accordion-folded pages that contain removable die-cut labels. The labels can be printed and cut to any shape.

Moss designed Label on a Label for Syntex Laboratories, of Palo Alto, Calif. One style the pharmaceutical house used had a circular outer label 2 inches in diameter. Inside were seven folded pages, each containing two oval labels. Instructions printed on the outer label told pharmacists to apply the smaller inner labels to bottles of a prescription tablet. The inner labels notified patients of changes in the size of the medication.



Congressional Alert

A report on key legislative issues with suggestions for contacting Congress about them.

Addresses: U.S. Senate, Washington, D.C. 20510; U.S. House of Representatives, Washington, D.C. 20515.

Simplify Business Taxes

Legislation is pending in the House and Senate to simplify business tax requirements.

The bills, H.R. 2777 in the House and S. 1394 in the Senate, would create one depreciation system for calculating the alternative minimum tax (AMT) and would eliminate some of the burdensome record keeping currently required.

The AMT was enacted as part of the 1986 Tax Reform Act to ensure that corporations with significant income would not escape tax liability through the use of exclusions, deductions, or credits.

To achieve that end, the 1986 act broadened the 1986 corporate minimum-tax base but also increased the complexity of complying with the law.

In addition, the law removed many of the incentives designed to promote capital investment, including accelerated depreciation.

During a period when corporate profits remain constant, the AMT significantly raises a corporation's effective tax rate, reducing after-tax profits available for investment or distribution to shareholders.

When a company's profits decline, tax liability is reduced, but the rate of decline in tax liability is less than the rate of decline in profits.

Because more corporations are subject to the minimum tax during a recession, the effect of the tax is currently magnified.

Such a tax impact can be particularly damaging to a corporation, coming at a time when revenues are already tight.

The U.S. Chamber of Commerce believes reform is needed to simplify or eliminate the AMT tax system, thereby promoting capital formation and investment.

Urge your representative and senators to enact legislation that would reduce or eliminate this undue burden on business created by the AMT rules.



ILLUSTRATION: RICHARD GAGE

A Way To Boost U.S. Exports

As new markets begin opening in Eastern Europe and the Commonwealth of Independent States (the former Soviet Union), an effort is under way to ensure that U.S. business can compete effectively in these markets.

In international sales, credit terms are often the deciding factor. Many foreign governments provide their exporters with financial subsidies to bring export credit terms below current commercial rates.

In contrast, U.S. programs to promote and finance exports are often poorly coordinated and funded. As a result, U.S. firms are failing to win important long-term projects because of the generous credit programs of foreign governments, which cost U.S. exporters about \$4 billion in sales each year, primarily in business related to major capital projects.

Although exports have accounted for over half of the growth of the U.S. gross national product during the past three years, more small and mid-sized firms must begin to trade and invest overseas if the U.S. is to improve its competitive position in the world.

According to the U.S. Chamber of Commerce, the Export-Import Bank, in Washington, D.C., needs additional funding. The Chamber particularly wants the funding for the bank's "mixed credit" program expanded to a minimum of \$200 million.

The Ex-Im Bank's mixed-credit program provides U.S. firms with the aid needed to put them on a level international playing field with competing firms in other countries.

According to the Chamber, until an international agreement is reached to eliminate all government-subsidized export financing, U.S. jobs and sales must be defended by Ex-Im Bank programs that are fully competitive with those overseas.

Urge your representative and senators to support increased funding for the Ex-Im Bank's mixed-credit program.



Employers Need Rights In Strikes

Legislation to ban employers from hiring permanent replacement workers during "economic" strikes is expected to be considered by the Senate by mid-year. The bill is similar to a measure—H.R. 5—that passed the House July 17.

Employers are already prohibited from hiring permanent replacement workers in disputes involving unfair labor practices. The pending legislation would cover strikes involving disputes over wages, hours, and working conditions.

Before the House passed the bill, representatives added an amendment to limit the proposed law to employees who belong to a union or "seek to belong to a union."

The U.S. Chamber of Commerce says that it is uncertain that the amendment would, in fact, limit the applicability of the measure.

If it did, the legislation would still represent a special favor to unions, the Chamber says.

Both versions of the legislation would encourage workers to strike and would severely limit employers' ability to operate during labor disputes, the Chamber says.

Moreover, unions would be given a powerful organizing tool because workers would know their jobs were secure if they participated in a work stoppage.

In addition, many employers would find it impossible to find workers who would be willing to fill the jobs of strikers only until those strikers decided to return to work.

President Bush has vowed to veto the legislation, a top priority for organized labor, should it pass the Senate.

Support for the measure in the Senate is strong.

Contact your senators and urge them to oppose the striker-replacement bill. Urge your representative to uphold a presidential veto should one occur.



Editorial

We Must "Get The American Economy Moving Again"

Our January cover story described the economic outlook for 1992 in two key words: "Grim" and "Unless." The recession would continue through the new year, we warned, unless the federal government adopted policies to achieve long-term growth.

Some readers thought that "grim" was excessively negative, that positive thinking could resolve the nation's economic problems in short order if the naysayers would just get out of the way.

There is an understandable American impatience with the idea that a recession might be something more than a temporary setback on our way to an ever-higher standard of living. In that view, the current recession is a problem that developed in mid-1991 and will end soon.

The fact is, however, that the U.S. economy has been virtually stagnant since 1989 and has lost the major element of past recoveries—the capacity to bounce back. That resiliency could not survive the tax, spending, regulatory, and monetary policies of recent years.

The 1986 Tax Reform Act curbed growth through such steps as a major increase in the capital-gains tax rate. It also set the stage for the financial-industry crisis by punitive measures against real-estate investments, sharply depressing the value of collateral behind business loans.

Federal spending averaged 18.2 percent of gross domestic product in the 1950s, but it will reach 25 percent this year. Although tax revenues doubled in the past decade, budget deficits continue to set records. Federal spending has gone up 8 percent in each of the past eight years. It will be 1996 before federal revenues are sufficient to meet this year's expenditures.

Newly imposed federal regulations and tax increases at all levels of government will extract an additional \$120 billion from companies this year.

We obviously are not dealing with a short-term problem amenable to the type of quick fixes being discussed in Washington today. Many of these are simply minor variations on the usual proposals raising some taxes to allow cuts in others.

The nation needs a comprehensive strategy for achieving and sustaining economic growth, a plan that establishes a broad foundation for dealing with all aspects of the mosaic that we call the national economy.

Congress and the White House have now received just such a plan. It is the National Business Agenda, which was developed by the U.S. Chamber of Commerce in consultation

with its broad-based membership representing all sizes and types of businesses.

This agenda, described in detail in this month's cover story, beginning on Page 18, was presented to President Bush at the Chamber's National Legislative Rally, the official kickoff for the campaign to win enactment of the program.

The strategy developed by the Chamber is particularly important at this time because of its sweep and its timeliness.

It recognizes that America's future cannot be defined in terms of narrowly focused policies designed to deal with immediate problems but must be approached simultaneously from many perspectives.

Thus, the National Business Agenda not only calls for building a new foundation for economic growth but also envisions a highly motivated and productive work force, new technologies and production processes, a revitalized infrastructure, development of natural resources in which environmental issues are addressed on the basis of responsible and accurate science, increased U.S. access to foreign markets, and a responsive government.

The timing of the agenda is particularly significant. It has been offered to the nation's elected leaders against a background of enormous

change abroad and at home.

In explaining why the plan is so crucial at this particular time, the U.S. Chamber leadership said:

"Our economic problems, as well as the fear and pessimism that accompany them, are forcing an unprecedented receptivity to the need for action.

"Aware of the stakes, the American people increasingly demand *real* solutions, not partisan rhetoric or paralysis in government. They are worried about their jobs, their children's future, rising health-care costs, the environment, eroding education, and competing in a global market."

The National Business Agenda provides clear-cut guidelines for the steps that must be taken to avoid that risk. Its central theme is one supported across the political spectrum: "We must get the American economy moving again."

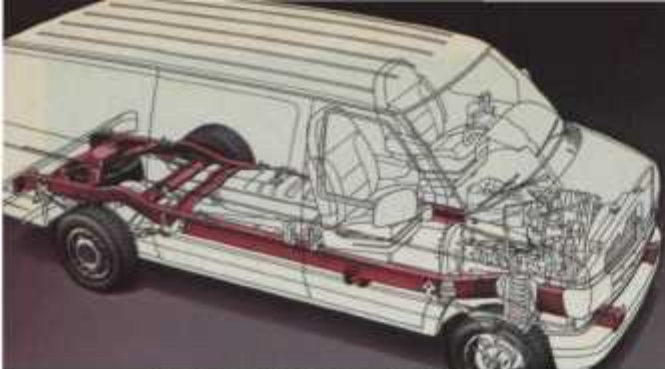
The agenda's proposals for doing just that through coordinated action in many policy areas deserve support. It shows elected officials how they can "halt the slow erosion of America's power and wealth and put its economy on a firmer foundation."

Those officials will seldom have a better opportunity to bring about such fundamental, far-reaching results. The cost of failure to seize that opportunity is one that the nation does not want to pay.



PHOTO: GREGG NITTE—BUROPHIL CAMP

Fostering new technologies is a key goal of the National Business Agenda.



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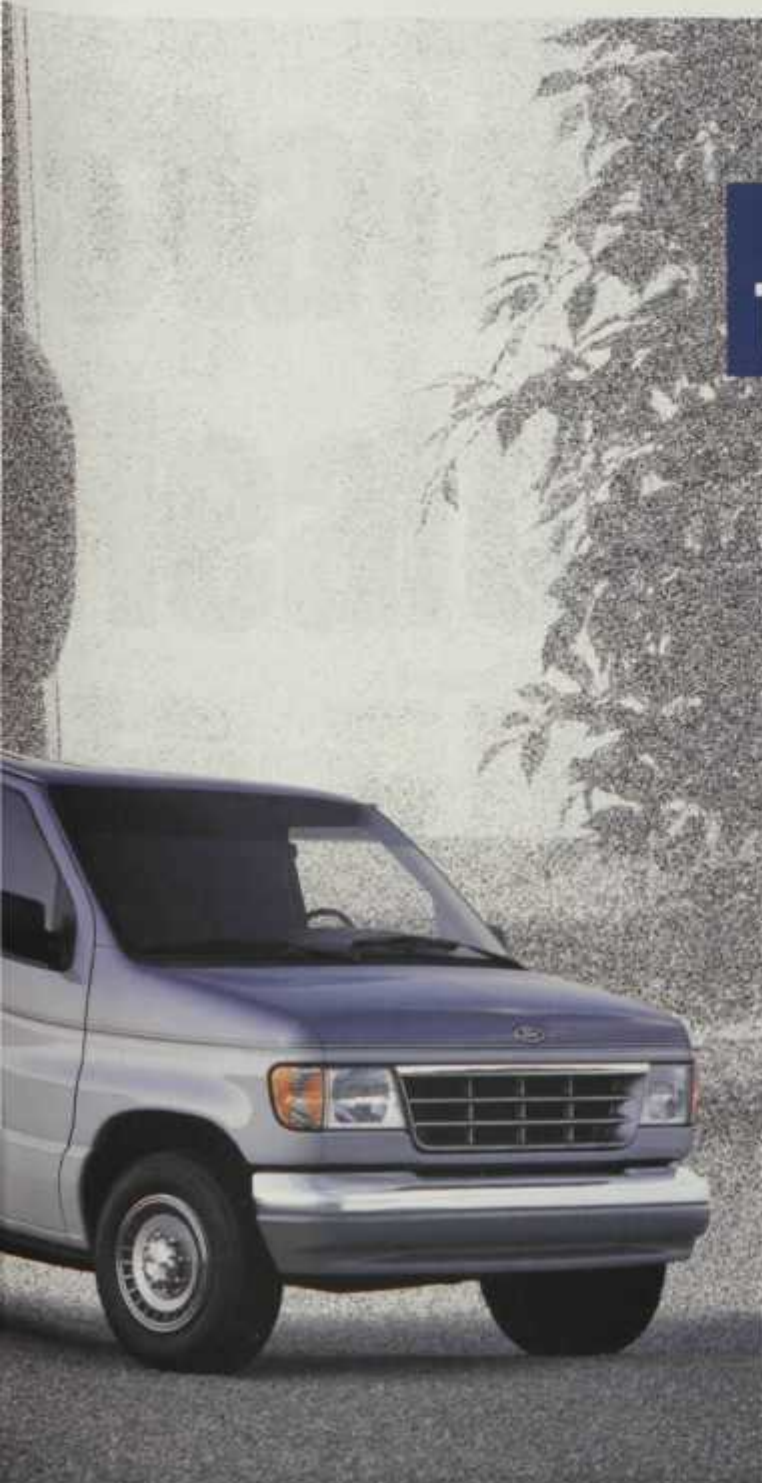
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